



Australian Government

**Australian Accounting
Standards Board**

AASB
RESEARCH REPORT 14

**LITERATURE REVIEW:
SERVICE PERFORMANCE REPORTING
FOR NOT-FOR-PROFITS**

FEBRUARY 2020



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Acknowledgements

We dedicate this work to the memory of Dr. Elka Johansson, who passed away untimely on September 2nd, 2018.

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Executive Summary

About the report

This report provides a systematic review of both the Australian and international academic literatures regarding reporting of service performance information for private and public not-for-profits (NFPs), including charities. The objective of the review is to present, describe and synthesise existing research evidence so as to assist the Australian Accounting Standards Board (AASB) in their Management Commentary and Service Performance Reporting Project. The objective of the Project is to determine whether the International Accounting Standards Board's (IASB) *Practice Statement 1: Management Commentary* currently being updated by the IASB can be adequately adapted to become a mandatory standard, that is capable of being assured to provide base to achieve objectives of service performance reporting for NFP private and public entities and whether would provide better information to users than current requirements in ASIC Regulatory Guide 247 *Effective Disclosure in An Operating and Financial Review (RG 247)*

Key messages

- Evidence suggests that NFPs report more extensive information regarding accountability in documents that are required by regulators, thus mandating the reporting of service performance information is warranted to narrow the gap between stakeholders' information needs and what is currently reported by private NFPs.
- Stakeholders evaluate service performance information disclosed by comparing with the overall objectives of the charity. Mandatory disclosures require appropriate guidance on how to link efficiency information to mission-related objectives or long-term goals. The following service performance information items should be reported on by NFPs:
 - measures of output;
 - measures of efficiency;
 - statement of current objectives;
 - information on problem or need area;
 - statement of the NFP's goals;
 - administration cost percentages;
 - statement of future objectives;
 - outcomes, impact and effectiveness; and
 - information relating to a charity's activities, narrative disclosures on how NFPs spend their funds, the impact of the NFP's work/programs on beneficiaries, administrative costs, and fundraising costs.

- The introduction of a tiered service performance reporting framework could assist in alleviating operational and cost pressures on smaller NFPs.

This report reviews the academic literature spanning a 37-year period (1982–2019) and includes studies conducted in countries such as Australia, New Zealand, US, UK, Canada and Netherlands. The systematic review of service performance information provided in this report only relates to private and public NFPs, focusing on four key themes:

- (i) the information needs of users;
- (ii) the current reporting practices;
- (iii) the benefits and costs of reporting service performance information; and
- (iv) the impact of regulation on service performance reporting.

The review does not cover the current industry-specific reporting requirements of NFPs, such as aged care homes for private NFPs, or service performance reporting requirements for public NFPs. The report has been prepared with the aim of creating an accessible resource for the AASB to better understand both the Australian and international reporting environments for private and public NFPs in order to inform future development of the Service Performance project. An annotated bibliography of the systematic literature review is included in Appendix 2 to this report.

Main findings

- Under the Australian reporting framework, disclosure of service performance information is mostly unregulated for private NFPs. This is so as the various national and state legislations are generally limited to regulating the reporting of financial information rather than non-financial information. As a result of the lack of emphasis on regulating non-financial information, there is a paucity of efficiency information being reported by NFPs.¹
- Fundraising charities in Australia are already required by legislation to report on some efficiency items.² These include items such as gross proceeds, amounts received by beneficiaries, and fundraising costs. Hence, fundraising charities provide

¹ Efficiency information refers to information that outlines the relationship between outputs and inputs (AASB, 2015; Hyndman and Anderson, 1995). Efficiency ratios, such as fundraising ratio or administration costs to total costs, relate to the ratio of outputs to inputs and have been recognised as an information item that is important to stakeholders (see, Hyndman and Anderson, 1995; Hyndman, 1991, 1990).

² See AASB (2017), which refers to AASB Research Report No 5. *Financial Reporting Requirements Applicable to Charities*. This report outlines financial reporting requirements applicable to charities (https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR_05_10-17.pdf).

more information on their outputs and results compared to non-fundraising charities.

- The literature (including several Australian studies)³ finds that stakeholders prefer NFPs to report on service performance information. This includes output- or outcome-based effectiveness rather than financial statement information, which primarily focuses on direct outputs of products or services or individual outcomes.
- Examples of the types of service performance information that stakeholders and users of financial information expect NFPs to report on are: measures of output; measures of efficiency; statement of current objectives; information on problem or need area; statement of the charity's goals; administration cost percentages; statement of future objectives; outcomes, impact and effectiveness; and information relating to a charity's activities.
- The literature review reveals that program-related expenditures and information related to the NFPs' outputs as well as results are the most common types of service performance information disclosed voluntarily by NFPs. In contrast, the least common types of service performance information disclosed voluntarily by NFPs relate to fundraising costs, efficiency information such as ratio of inputs to outputs, and effectiveness information such as comparisons between output or outcomes and pre-set targets.
- Jurisdictions that have mandated service performance information, such as New Zealand, require charities to report on both quantitative and qualitative performance measures as well as provide users with sufficient contextual information about their service performance (see New Zealand Service Performance Reporting standard, PBE FRS 48). For example, quantitative measures need to provide information related to the quantity and costs of goods and services, while qualitative measures need to explain, for example, the charities' compliance or non-compliance with a quality standard. Meanwhile, contextual information relates to charities providing an explanation to their users of why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about achieving these medium to long term objectives. Further, charities are also required to disclose about what the entity has done during the reporting period in working towards achieving the above-mentioned broader aims and objectives.
- When studies were conducted in voluntary settings at the time of the study, such as the UK and Australia, many private and public NFP entities did not voluntarily report service performance information. However, mandating of such information with

³ Recent studies in Australia include Furneaux and Wymer (2015), Palmer (2013), Lee (2008) and Leat (2007).

appropriate guidance (e.g. how to link efficiency information to goals) by regulators has been shown to be beneficial to stakeholders.

- Australian regulatory reforms to the NFP sector include the introduction of streamlined directors' reports for companies limited by guarantee and the establishment of a national charity regulator, the Australian Charities and Not-for-Profits Commission (ACNC). However, these have led to a marginal increase in the reporting of non-financial information by private NFPs. Moreover, existing Australian legislative non-financial reporting requirements do not explicitly include the mandating of many service performance items, such as outcomes, efficiency and effectiveness.
- Research suggests that private NFPs obtain a benefit in terms of attracting donations by voluntarily reporting more extensive service performance (or non-financial) information. However, there is some evidence to suggest that charities might also incur costs (e.g. time, resources and proprietary costs) from reporting information. These costs can discourage them from reporting extensive service performance information.
- The academic literature provides evidence that regulation on charities generally has had a significant and positive impact on the extent of reporting of service performance information.
- The research literature supports the use of narrative and discussions in service performance information by NFPs, especially when reporting on outcomes, including long-term outcomes.
- A standard setting approach which provides guidance on how to measure effectiveness consistently would overcome issues of inconsistency and thus problems of comparing the charity's effectiveness over time.

Recommendations

- Efficiency information reported by private NFPs in Australia remains limited and has not changed over time. This is despite the introduction of Australian charity regulatory reforms in 2010 and 2012. While these reforms changed some reporting requirements with the aim of improving accountability, these reforms did not mandate efficiency information items. Hence, mandating the reporting of service performance information is warranted as this would narrow the gap between stakeholders' information needs and what is currently reported by private NFPs.
- The above-mentioned recommendation is further supported by international research, which suggests that NFPs report more extensive information regarding

accountability in documents that are required by regulators. This indicates that a mandated service performance report could be beneficial given the current voluntary regulatory environment for such information in Australia.

- Furthermore, it may be useful if stakeholders can evaluate what is disclosed by comparison with the overall objectives of the charity. This suggests the AASB should consider mandating disclosures of service performance information with appropriate guidance (e.g. how to link efficiency information to mission-related objectives or long-term goals).
- Indeed, the AASB should consider mandating the following service performance information items to be reported on by NFPs: measures of output; measures of efficiency; statement of current objectives; information on problem or need area; statement of the charity's goals; administration cost percentages; statement of future objectives; outcomes, impact and effectiveness; and information relating to a charity's activities. Inclusion of these items into a mandated service performance report as would go a long way to addressing NFP's stakeholders and users of financial information expectations and needs.
- The research literature supports the use of narrative and discussions in service performance information by NFPs, especially when reporting on outcomes, including long-term outcomes (see New Zealand Service Performance Reporting standard, PBE FRS 48). Accordingly, it would be beneficial for any Australian standard to include the mandating of narrative disclosures such as how NFPs spend their funds, the impact of the NFP's work/programs on beneficiaries, administrative costs, and fundraising costs. This would address some of the stakeholders' information needs.
- The intention of introducing the reporting of service performance information under an Australian standard is to drive efficiency improvements and to enhance public trust and confidence in NFPs. However, a consequence of mandating such information is that it might divert a significant amount of funds to more efficient and larger private NFPs. This might place operational strain on some NFPs, particularly smaller NFPs. Accordingly, the introduction of a tiered service performance reporting framework could assist in alleviating some of these operational and cost pressures on smaller NFPs.

The research literature shows that members are an important stakeholder group that is likely to play a role in influencing the provision of information by charities. This suggests that there is evidence to support governance standards which require charities to be accountable to their members (Australian Charities and Not-for-Profits Commission, 2017b).

Structure of the report

The report is made up of two parts:

- (a) Part A (Sections 1 and 2) provides a background to the NFP sector, as well as outlining the NFP legal structures in Australia, which has direct implications for its reporting requirements.
- (b) Part B (Section 3) provides a review of both the Australian and international academic literatures in relation to four main themes:
 - (i) Studies that have investigated the information needs of users in order to identify users' needs;
 - (ii) The literature on the current reporting practices of NFPS to obtain a better understanding whether those information needs are being met;
 - (iii) An investigation of the literature to identify the potential benefits and costs of reporting service performance information and to provide a richer understanding of why NFPs choose to report or not report such information; and
 - (iv) To provide insights on the likely effectiveness of any new mandatory requirements by AASB for the reporting of service performance information by NFPs, we explore the impact that prior regulatory changes have had in different jurisdictions on the reporting of service performance information.

1. Background

Not-for-profits (NFPs) form part of what is known as the third sector economy, as it consists of organisations that lie between the market and the state (Seibel & Anheier, 1990). The Australian Accounting Standards Board (AASB) defines a not-for-profit as “an entity whose principal objective is not the generation of profit” (for example, para. Aus6.2, AASB 136).⁴ However, the academic literature considers NFPs as entities which are prohibited from distributing profits to owners, members or other groups of individuals (Hansmann, 1980). The non-distribution constraint does not prevent NFPs from being profitable, even though NFPs do not operate with a primary profit maximisation objective (Hansmann, 1980). In Australia, there are approximately 600,000 NFPs (Productivity Commission, 2010), which in 2012-13 contributed over 4% of GDP, employed over 1 million Australians and attracted 3.9 million volunteers (Australian Bureau of Statistics, 2015)⁵. Of these 600,000 NFPs, the Australian Bureau of Statistics states that 56,894 were registered with the Australian Taxation Office (ATO) from 2012 to 2013.

Charities are a type of NFP that pursues a charitable purpose for the public benefit (*Charities Act 2013*). Australian legislation specifies particular activities that entities can conduct in order to be legally conferred charitable status. These activities include the eradication of poverty or the advancement of causes such as education, religion, arts and human rights (*Charities Act 2013*).⁶ As at October 2019 there were 57,000 charities registered with the Australian Charities and Not-for-Profits Commission (ACNC) (Australian Charities and Not-for-Profits Commission, 2019), comprising approximately 10% of all NFP organisations

⁴ AASB proposed a new definition for NFP entities and guidance in [Exposure Draft ED 291 Not-for-profit Entity Definition and Guidance](https://www.aasb.gov.au/Work-In-Progress/Pending.aspx). The project is still in progress and details can be found via <https://www.aasb.gov.au/Work-In-Progress/Pending.aspx>.

⁵ The most recent statistical report on the Australian not-for-profit sector was released by the ABS in 2015. See: <https://www.abs.gov.au/AUSSTATS/abs@.nsf/second+level+view?ReadForm&prodno=5256.0&viewtitle=Australian%20National%20Accounts:%20%20Non-Profit%20Institutions%20Satellite%20Account~2012-13~Latest~28/08/2015&&tabname=Past%20Future%20Issues&prodno=5256.0&issue=2012-13&num=&view=&>

⁶ The Charities Act defines a charitable purpose as:

- “ (a) the purpose of advancing health;
- (b) the purpose of advancing education;
- (c) the purpose of advancing social or public welfare;
- (d) the purpose of advancing religion;
- (e) the purpose of advancing culture;
- (f) the purpose of promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia;
- (g) the purpose of promoting or protecting human rights;
- (h) the purpose of advancing the security or safety of Australia or the Australian public;
- (i) the purpose of preventing or relieving the suffering of animals;
- (j) the purpose of advancing the natural environment;
- (k) any other purpose beneficial to the general public that may reasonably be regarded as analogous to, or within the spirit of, any of the purposes mentioned in paragraphs (a) to (j).” (Section 12, *Charities Act 2013*).

(Australian Charities and Not-for-Profits Commission, 2017c). In 2015, Australian charities generated income of A\$134.5 billion, which is the equivalent to approximately 8.3% of Gross Domestic Product (Cortis, Lee, Powell, Simnett, & Reeve, 2015).

This report specifically considers the legislative requirements and academic literature pertaining to the reporting of service performance information. In the literature, service performance information is referred to by a number of terms such as performance information (Saxton, Neely, & Guo, 2014), service accomplishment information (Parsons, 2003), and service efforts and accomplishments (Buchheit & Parsons, 2006). Some research also considers the reporting of non-financial information by NFPs and this literature deems that service performance information items should be included within the scope of non-financial information. Given the various definitions of service performance in the literature, we use the definition of service performance outlined in the AASB Exposure Draft (ED) ED 270 *Reporting Service Performance Information*. The AASB defines ‘service performance’ information as “information that relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society” (p. 6, AASB ED 270). Service performance information includes information that relates to the organisation’s performance objectives, inputs and outputs required to meet those objectives, outcomes from the organisation’s activities, and effectiveness and efficiency in achieving organisational objectives (AASB ED 270).

2. Australian Legal Structures of Not-for-Profits

An NFP’s legal structure has direct implications for its reporting requirements. According to the ATO (2019), NFPs can elect to be either: (i) Unincorporated Associations; (ii) Incorporated Associations; (iii) Companies Limited by Guarantee; (iv) Co-Operatives; (v) Indigenous Corporations; or (vi) Trusts. The latest statistics regarding NFP legal structure relate to the 2010 Productivity Commission report, which suggests that the majority of NFPs are unincorporated and incorporated associations⁷. Similarly, more recent statistics from the ACNC indicate that in the charity sector specifically, the most common legal structure used among charities are either the incorporated or unincorporated associations structures (71.3% of charities), which are usually smaller organisations (less than A\$1 million in revenues) (Cortis et al., 2015). The difference between an unincorporated and an incorporated association’s legal structure is whether there exists a separation between the legal entity and its members. In the case of unincorporated associations, the legal entity is

⁷ Of the 600,000 NFPs in Australia, the most common legal structure is unincorporated associations (approx. 76%), followed by incorporated associations (approx. 22%), companies limited by guarantee (approx. 1.4%), and indigenous corporations and trusts (approx. 0.6%).

not separate from its members, whereas members are separated from the legal entity in the case of incorporated associations (Australian Taxation Office, 2019).

In contrast, larger charities (revenues of A\$1 million or greater) generally opt to have a ‘companies limited by guarantee’ legal structure (Cortis et al., 2015). Companies limited by guarantee are a type of public company with limited liability, which includes ‘Limited’ or ‘Ltd’ after its company name. That is, the company limits each member’s liability to his or her contribution in the event that the company is wound up (section 517, *Corporations Act 2001*). The main advantage of the company limited by guarantee structure is that it enables charities to operate nationwide (Better Boards, 2019b) under Australian federal law (e.g. *ACNC Act 2012; Corporations Act 2001*), rather than be subject to different state and territory regulations. Consistent with most companies limited by guarantee being NFP entities, companies limited by guarantee are not permitted to distribute dividends to members (section 254SA, *Corporations Act 2001*), they cannot issue shares which suggests no person can acquire a controlling interest or profit from a share sale, and each member of the company limited by guarantee has a single vote (ASIC, 2016).⁸

Other common NFP legal structures include co-operatives, trusts and indigenous corporations. Co-operatives are organisations that exist for the benefit of its members (Australian Taxation Office, 2019). Trusts are established to hold and distribute funds according to the legal requirements of the trust’s deed (Better Boards, 2019a). Trusts are often set up as foundations or ancillary funds and distribute funds for charitable (or NFP) purposes (Better Boards, 2019a). Indigenous corporations are Aboriginal and Torres Strait Islander organisations, which have been registered as separate legal entities with the Office of the Registrar of Indigenous Corporations (ORIC) under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) (Australian Charities and Not-for-Profits Commission, 2017a). Co-operatives and Indigenous corporations may only be NFPs if their constitution prohibits the distribution of profits to these members (Australian Taxation Office, 2019). Appendix 1 summarises the number of NFPs and charities for each legal structure.

3. Systematic Literature Review

The following section presents a literature review of the academic research of private and public NFPs around four key themes, namely, (i) the information needs of users, (ii) the current reporting practices, (iii) the benefits and costs of reporting service performance information, and (iv) the impact of regulation on service performance reporting. The

⁸ There is discrepancy in government reports as to whether all of the companies limited by guarantee are NFPs. While the Inquiry into Contribution of the Not-for-Profit Sector states that all the companies limited by guarantee registered under the *Corporations Act 2001* are NFPs (Productivity Commission, 2010), Australian Treasury (2007) states that companies limited by guarantee include both NFPs and for-profits.

literature presented in this report includes peer-reviewed papers published in quality academic journals and working papers that examine either charitable or non-charitable private NFPs (or both) and public NFPs.

3.1 Overview of ED 270

While prior reporting regimes in Australia have not involved the regulation of service performance by the ACNC and ASIC, the AASB is proposing to introduce new mandatory requirements related to service performance for NFPs. In 2015, the AASB released ED 270, which is intended to mandate the reporting of service performance information for NFPs in the form of an accounting standard. ED 270 recognises that stakeholders of NFPs typically demand information that enables users to assess whether an NFP has met its objectives in terms of providing goods and services for the public benefit. This is referred to by the AASB as ‘service performance’ information and defines it as “information that relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society” (p. 6, AASB, 2015). Service performance information in ED 270 includes information that relates to the organisation’s performance objectives, inputs and outputs required to meet those objectives, outcomes from the organisation’s activities, and effectiveness and efficiency in achieving organisational objectives (AASB, 2015).

If the AASB were to mandate the reporting of service performance information, it intends to make it applicable to all NFPs, charitable and non-charitable, that are reporting entities. Reporting entities are entities which have existing or potential users that are likely to be dependent on general purpose financial reports (GPFs) in order to make and evaluate decisions regarding the allocation of scarce resources (Statement of Accounting Concepts [SAC] 1, AASB, 1990). ED 270 indicates that NFP reporting entities will have a choice as to how to present service performance information. For example, it may be provided as part of the financial statements or issued separately to the annual report.

At the time of this literature review, ED 270 has not been formalised into an accounting standard. As such, this literature review provides timely guidance to inform the AASB regarding the future development of any Australian standard on service performance reporting. In the meantime, the External Reporting Board (XRB) of the New Zealand Accounting Standards Board (NZASB) issued a new Service Performance Reporting standard (PBE FRS 48) in November 2017, providing additional support and impetus for finalising such a service performance standard in Australia. In addition, a new audit standard (NZ AS 1) on service performance information developed in tandem to PBE FRS 48 was issued by New Zealand in February 2019. This new audit standard primarily deals with the auditor's responsibilities in relation to service performance information when an auditor is engaged to audit the general purpose financial report. Furthermore, as the ED 270 service performance definition has a similar focus to the one used in PBE FRS 48, namely, both highlight the importance of gauging the entities service performance and the impact these

outcomes have on the entities' aims and objectives, this new standard might also assist the AASB in formulating a similar standard in Australia.

As this report provides evidence to inform the AASB's future development of a service performance reporting standard, we summarise the literature according to four main themes. First, we discuss studies that investigate the information needs of users. Second, knowing the needs of users, we examine the literature on the current reporting practices to understand if those information needs are met. Third, we probe into the potential benefits and costs of reporting service performance information to provide a richer understanding of why NFP choose to report or not report such information. Finally, to provide insight on the likely effectiveness of the proposed changes in regulation by the AASB, we explore the impact prior regulatory changes have had on service performance reporting.

3.2 Research method

In order to summarize the relevant studies on private and public NFPs, we conducted an electronic search using EBSCOHost with keywords relevant to the four key themes. We limited our search to studies published in high-quality peer-reviewed journals rated A*, A or B in the ABDC or ERA journal lists as well as high-quality working papers. The set of papers we consider were published over a 37-year period (i.e. 1982–2019) and the review includes studies conducted in countries such as Australia, New Zealand, the US, UK, Canada and the Netherlands. The literature review includes papers from about 40 journals, among others, Journal of Public Economics (ABDC level-A*), Journal of Accounting and Public Policy (ABDC level-A), Financial Accountability and Management (ABDC level-A), Non-profit and Voluntary Sector Quarterly (ABDC level-A), Public Money and Management (ABDC level-A) and Third Sector Review (ABDC level-B). Some papers cover more than one theme and so are referred to more than once in the literature review.

3.3 Information needs of users

Private Not-for-Profit Entities

The literature generally finds that contributors prefer private NFPs to report service performance information rather than financial statement information. Most of these studies have been conducted by interviewing the relevant stakeholder groups. In an Australian study examining the antecedents of a charity's trust, Furneaux and Wymer (2015) hypothesise that organisational transparency is a positive antecedent of charity trust. Transparency is measured whether the charity lets the public know how their resources, including money from donations, are utilised and whether the charity is clear about how they are managed. Data was obtained and empirically analysed from respondents in a 2013 ACNC Public Trust survey. Furneaux and Wymer find evidence that transparency, through the reporting of information related to a charities' use of resources, is an antecedent of the

public's trust in charities. This suggests that donors demand service performance information and they are more likely to trust charities that report such information.

This is also reflected by Palmer (2013), who examined the attitudes of Australian NFPs and other stakeholders toward financial reporting in the NFP sector. By using content analysis of submissions made to the Australian Senate Economics Committee in response to the inquiry into the Disclosure Regimes for Charities and Not-For-Profit Organisations in 2008, Palmer reports that respondents to the inquiry, including NFP entities, perceive that non-financial information, such as the effectiveness of program outcomes, should be considered as part of enhancing the transparency of the sector.

In an investigation that examined the perceptions of accountability by donors in the UK, Connolly and Hyndman (2013b) provide evidence that donors view auditors, charity officials, and donors themselves as the key stakeholders to whom a charity should be accountable to. Of all the performance items that a charity might report on, measures of output are considered the most important information items by auditors, and donors, whereas statements of goals are regarded as the most important information item by charity officials.

Based on the same study mentioned above examining perceptions of accountability by donors in the UK, Connolly, Hyndman, and McConville (2013) report that while most donor respondents regard funders to be the primary stakeholder group, auditor respondents considered regulators to be the most important stakeholder group, while funders believe beneficiaries have similar information needs to their own. However, all stakeholder groups considered performance information (e.g. objectives, future plans and efficiency) as being important. The item 'how a charity has spent its money' was deemed the most important information item in reporting on a charity's achievement. The respondents also thought that more emphasis on explaining outcomes and impact would be a valuable improvement to a charity's reporting practices.

Yang, Northcott, and Sinclair (2017) investigate the perceived accountability information needs of charity funders by conducting semi-structured interviews of participants from government funding agencies and participants from philanthropic funding organisations in New Zealand. The interviewees consider output information to be less important than outcomes information and that funders encourage charities to report on their long-term outcomes. In a similar vein, Connolly and Hyndman (2017) find that many interviewees (auditors, beneficiaries, donors, and managers) in the UK support greater performance information disclosure, though the respondents acknowledge the difficulties in capturing this type of information (e.g. reliability of measures, resourcing constraints). Interviewees also considered the reporting of a charity's impact as important to discharging accountability but thought that impact may only be measurable in the medium to long-term.

In an experimental study conducted in the US, McDowell, Li, and Smith (2013) find that donors are more likely to acquire non-financial information, such as a not-for-profits goals, outcomes and programs than financial information, and use this non-financial information in their donation decisions. Financial efficiency metrics, such as program expense ratios and fundraising expense ratios, do not appear to be integrated into the donation decisions of the participants in the experiment. This finding is noteworthy given that in the US environment, charities are required to report on their program, administrative, and fundraising costs for their top three programs/services in Form 990, which is lodged with the Internal Revenue Service. However, the experimental design was conducted with 36 undergraduate students rather than on a broad-based representative donor sample.

It is noteworthy that donors should not be viewed as a homogenous group, and different types of donors may have different information needs. Connolly and Hyndman (2013a) reveal that small donors in the UK in particular, do not read the annual financial report in detail and have a lack of interest in the reporting of financial information. In general, donors believe that more narrative reporting is needed and that charities should report on future plans as well as describe past events. Further, donors consider the reporting of performance information to be beneficial, but that more direction such as what information should be disclosed and the basis for calculations is required to assist charities with reporting of this type of information. Other studies find that stakeholders differ in the specific service performance information items they want private NFPs to report. Hyndman and McConville (2018b) consider the reporting needs of charities' stakeholders by conducting semi-structured interviews with Finance Directors and other individuals responsible for reporting in the UK. The interviews reveal that beneficiaries and the general public are perceived to be most interested in information relating to a charity's activities, while large funders are seen to be most interested in a charity's outputs and money spent on projects.

Investigating grant funders specifically, Leat (2007) conducts a content analysis of the information of 40 grant application forms for Australian grant-makers. The most common service performance information items sought by over 50 per cent of the sample of grant-makers include uses of grant monies, project's primary purpose, who are the beneficiaries, success criteria of project and intended project outcomes. Huang and Hooper (2011) use semi-structured interviews of seven NZ funding organisations to examine whether grant makers use non-financial information and what type of non-financial information is used in their grant-making decisions. They find that all sample funding organisations consider non-financial information as important to the grant decision-making process. Of the seven funding organisations in NZ, three regarded non-financial information as more important than financial information. All interviewees agreed that intended project outcomes and how the grants will be spent are important information items, although less than half of those interviewed consider efficiency information relevant to decision making.

Public Not-for-Profit Entities

Similar to the studies on private NFPs, research on the information needs of stakeholders of public NFPs finds that stakeholders such as state governments, employees, managers, and politicians deem the reporting of service performance information more important than financial information.

Using survey data obtained from senior managers of Australian federal government, state and territory departments, Lee (2008) find that of the non-financial information items, quality of outputs and outcomes was perceived as most important (even more important than financial information), and that customer satisfaction was considered the most important quality measure. In another Australian study, Ryan, Stanley, and Nelson (2002) examine the quality of disclosures in the annual reports of Queensland local governments from 1997 to 1999. They find that the quality of performance information (e.g. performance measurement, actual to budget comparison and financial performance ratios) disclosed is low compared to the quality of financial information disclosed (e.g. statement of financial position, statement of cash flows) in the annual reports of Queensland local governments.

Liguori, Sicilia, and Steccolini (2012) investigate whether politicians and public managers have different perceptions regarding the importance of performance information (financial and non-financial). Using survey responses of managers and politicians of Italian municipalities, they find support for their hypothesis that politicians and public management attach more importance to non-financial performance measures (e.g. efficiency, customer satisfaction, future activities, outputs) than to financial performance measures. Likewise, Tooley, Hooks, and Basnan (2010) find that of all service performance information items reported by Malaysian local authorities, impact, efficiency, effectiveness and output were considered very important by stakeholders (e.g. managers, employees, councillors, public, state government, creditors). Non-financial information is, on average, considered more important than financial statement information. The top three information items that are ranked highest (on a 4-point scale) are future plans, future performance targets and expenditure by nature/function. Brun and Siegel (2006) consider the information needs of cantonal and federal members of the Swiss parliament and government. They find that outcome rather than output indicators are demanded by parliamentarians and that there are challenges to reporting outcomes, such as measurement issues.

In summary, as most donors cannot forcibly demand efficiency information, they must rely on formal channels of reporting to meet their information needs. To determine whether the needs of stakeholders are met by the current reporting practices of charities, we explore these studies in the next section.

3.4 Current reporting practices

Private Not-for-Profit Entities

A review of the current reporting practices of private NFP sector entities in the Australian regulatory environment finds that charities do not voluntarily report service performance information. Similarly, in other voluntary settings, such as information presented in annual reviews in the United Kingdom (UK), many charities do not report service performance information items and that, in particular, efficiency and effectiveness information are not reported.

Prior research conducted in Australia such as Ryan and Irvine (2012), examine the expenditure patterns of Australian international aid and development organisations and they analyse the expenditure disclosures made by 97 organisations in their annual reports and financial statements. Ryan and Irvine find that program-related expenditure is most frequently disclosed by international aid and development organisations while fundraising costs are least frequently reported. Reluctance to report on fundraising costs is consistent with prior research, which indicates that donors demonstrate a preference (i.e. are more likely to donate) for more efficient NFPs, that is, NFPs with lower administrative and fundraising costs to total costs (Bowman, 2006; Khumawala, Parsons, & Gordon, 2005; Trussel & Parsons, 2007). More specifically, charities may not report fundraising costs for concern that they might lose donations from donors. However, the literature has not quantified the fundraising costs of Australian charities to indicate whether they are indeed inefficient (i.e. have high fundraising costs) compared to another jurisdiction or benchmark.

Findings by Johansson, Carey, and Tanewski (2017a) highlight that a possible reason for the lack of disclosure of service performance information is that the current mandated reporting requirements of the streamlined directors' report and national charity regulator, the ACNC, do not require charities to report such information items. Further, a concerning trend is that the extent of voluntary reporting of non-financial and efficiency information by charitable companies has not changed over time (Johansson et al., 2017a). However, a potential factor that might increase the extent of non-financial reporting is the influence of members. While members do not receive a financial return on their involvement with charities (unlike shareholders in for-profit entities), corporations and charities legislation affords members rights that enable them to have some oversight over the organisations' operations and a charitable company is legally required to act in the interests of its members (ACNC Act 2012; Corporations Act 2001). Johansson, Carey, and Tanewski (2018) argue and find that as the number of members of a charity increases, the extent of non-financial information reported publicly (i.e. annual report) will increase because there are greater information asymmetries and all members may not be in a position to directly observe management's actions.

Similarly, early research in the 1990s examining the reporting practices of NFPs and charities in the UK regulatory environments shows a lack of disclosure of service performance information, though studies have been largely limited to a descriptive examination of these entities. The first prominent study to report on charities' annual reporting practices is that by Hyndman (1990). In his survey of the top 200 charities in the UK, Hyndman (1990) analyses the frequency of the various types of information that is reported by charities in their annual reports. He reports that the most commonly disclosed information items are an audited operating statement (91% of respondents), audited balance sheet (89% of respondents), list of the charity's main officers (83% of respondents) and audited funds flow statement (58% of respondents). In comparison, other types of information that Hyndman (1991) suggests charities should report are reported by less than 50% of respondents. These suggested information items include a statement of goals and objectives, problem area(s), measures of output and efficiency, administration costs as a percentage of total costs, simplified balance sheet and operating statement, statement of future objectives, and budget information. Most of these less frequently reported but recommended information items, can be classified as performance and service information which is often non-financial in nature. Hence, while charities commonly disclose financial information, non-financial service performance information is less frequently reported.

Dhanani (2009) examines the accountability and reporting practices of large charities in the UK by analysing the information provided by charities on the Guidestar UK website from 2003 to 2006. The author finds that of all performance information items a charity might report, charities most frequently report on outputs and results, but least frequently provide effectiveness and efficiency information. Evidence is also presented showing that fundraising charities are more likely to report on output and results than non-fundraising charities.

Interestingly, Dhanani and Connolly (2012) consider the accountability practices of 75 large charities in the UK and find that the extent of the information reported in the annual reports by these entities is greater compared to the annual review. As the contents of the annual reviews are largely unregulated primarily providing qualitative-type content, compared to annual reports which are primarily guided by statutory requirements, suggesting that charities report more extensive information when it is required by regulators. They find that all charities in their sample disclosed at least one strategic information item, such as program impact, outcomes, effectiveness, and efficiency in the annual review or annual report. They also find that charities opt to use non-financial information to create a positive image regarding their activities.

A more recent study by Hyndman and McConville (2016) on the reporting of efficiency items disclosed in the UK's top 100 charities' annual reports, annual reviews, and websites for the years ending in 2010 and 2011, finds that efficiency measures, defined as the ratio of inputs to outputs (e.g. cost per beneficiaries), are not reported by most UK charities. Rather, they

find that charities are more likely to report on charity activity and fundraising cost ratios. Further, the authors find that most charities do not link efficiency and conversion ratios to their objectives or goals. This can make it difficult for stakeholders to evaluate what is disclosed.

In a follow-up study to the one mentioned above, Hyndman and McConville (2018a) conducted a content analysis of annual reports, reviews, and websites of the UK's top 100 charities. They found that most charities do not report on their output-based (comparison between output and pre-set target) or outcome-based (comparison between outcome and pre-set target) effectiveness in their annual reports, annual reviews or websites. Instead, the majority of charities reported on their outputs (i.e. direct outputs of products or services of the charity), individual outcomes (i.e. the possible long-term effects/benefits on individuals/beneficiaries) or societal outcomes (i.e. the long-term effects on society). It is noteworthy that these UK studies have been conducted on the reporting practices of the UK's 100 largest charities, which are more likely to have stakeholders who depend on such information. However, despite stakeholder demand for such information, private NFPs opt not to report on this type of information. Taken together, these studies suggest that many charities do not report efficiency information in voluntary settings and the mandating of such information with appropriate guidance (e.g. how to link efficiency information to goals) by regulators may be required.

Public Not-for-Profit Entities

Prior literature regarding the reporting of performance information by public NFPs generally finds that service performance information is reported less than financial statement information. In a study of 85 annual reports of Australian government trading enterprises (GTEs), Lee (2006) finds that some entities disclose their targets, but these entities do not report whether these targets have been achieved and thus most GTEs do not disclose efficiency information. Lee's study, which is based on a content analysis of financial reports produced by GTEs over the period 1998 to 2002, shows that the reporting of effectiveness (measured as a comparison of actual versus target performance) is inconsistent and thus problematic for stakeholders who wish to compare the charity's effectiveness over time. A standard setting approach which provides guidance on how to measure effectiveness consistently would seek to overcome this potential issue.

Lee (2008) considers the perceptions of 41 senior managers of Australian government federal, state, and territory departments on the preparation and reporting of performance information. She finds that respondents perceived that financial information was more extensively reported than non-financial information. Regarding actual reporting practices of public sector NFPs, Stanley, Jennings, and Mack (2008) investigate the form and content of annual reports of 105 Queensland local government authorities for the 2002/03 year and find that financial statement information is disclosed more frequently than non-financial

information (such as purpose, achievements, targets, operational plan and feedback). In those instances where performance information is reported, performance measurement (i.e. particularly effectiveness) is the focus and entities have a preference for reporting actual versus target information. For example, Herawaty and Hoque (2007) examine the extent to which 56 Australian federal and state government departments voluntarily disclosed information for 2005-2006. Using content analysis, the authors find that the majority (64%) of government departments disclose effectiveness (actual performance against target) information.

Most of these findings are also replicated in other international jurisdictions. Lonti and Gregory (2007) examine how the reporting of output classes and performance indicators in the annual reports of five New Zealand (NZ) government departments changed from 1992 to 2002. They show that most government departments do not report input, efficiency, and cost-effectiveness measures, while output measures and service quality are more commonly reported. Likewise, Hyndman and Anderson (1998) analysed 245 annual reports of UK executive agencies from 1990/91 to 1993/94.⁹ They find that inputs, outputs, and results were more frequently reported than efficiency and effectiveness measures. These results are qualitatively similar to an earlier study by Hyndman and Anderson (1995), who analysed the 1991/92 annual reports of 57 executive agencies. Results in this earlier study also show that most disclosed measures related to effectiveness are quality measures (actual quality vs planned quality) rather than quantity measures (actual quantity vs planned quantity).

Steccolini (2004) examines the amount and type of information disclosed in the annual reports of 26 Italian local government authorities for the 2000 financial year. This study of Italian local government authorities finds that the reporting of service performance information is minimal and that local governments mainly disclose compulsory efficiency and effectiveness indicators rather than voluntarily develop and report on their own efficiency and effectiveness indicators. Approximately half of the sample of annual reports produced by local governments provided detailed and descriptive programme information.

Similarly, an examination of the information provided in annual reports of Welsh District Councils from 1981/81 to 1988/89 by Boyne and Law (1991) find that most councils do not report on efficiency, effectiveness, and output quality and quantity information and that the reporting of these information items has not improved over time. This is despite pressure from central government for local councils to improve their performance evaluation. The authors conclude that the central government needs to issue a code of practice that

⁹ Executive agencies are part of a government department that acts as its own business unit and has its own managerial and budgetary functions. These agencies were introduced in the UK with the aim to improve efficiency and effectiveness of the delivery of government departments.

emphasises the importance of setting performance targets rather than comparative financial statistics.

A review of the current reporting practices of both private and public NFPs finds that when the studies were conducted in voluntary settings at the time of the study, such as the UK and Australia, many NFP entities did not voluntarily report service performance information. When the needs of contributors regarding service performance information are compared to the current information disclosed by NFPs, the gap is evident. This lack of disclosure can possibly be traced back to the trade-off between the costs and benefits of disclosing such service performance information, and these are discussed next.

3.5 Benefits and costs of reporting service performance information

Private Not-for-Profit Entities

Research has largely concentrated on investigating the benefits (e.g. donations, revenue) of reporting rather than the costs (e.g. time, resources and proprietary costs) of disclosing service performance information. Investigation in this area generally finds that private NFPs obtain a benefit in terms of attracting donations by voluntarily reporting more extensive service performance (or non-financial) information, but there is a gap in the NFP literature regarding cost factors that might discourage the reporting of efficiency information.

Charities can obtain benefits by reporting more information, which in turn can encourage charities to report more extensively. Johansson et al. (2017a) provide Australian evidence that the reporting of efficiency information is positively associated with the change in the market share of donations for charities, suggesting that charities obtain a benefit from more extensive reporting. Similarly, using data collected from 184 Australian human welfare charities' annual reports for the 1996/97 financial year, Berman and Davidson (2003) show that fundraising accountability requirements are positively associated with donations. In contrast, Haski-Leventhal and Foot (2016) analyse the annual reports of 50 Australian NFPs from 2001 and 2012 and show that the extent of performance disclosures is not positively associated with the change in total household donations and fundraising monies (i.e. there is no benefit from reporting more extensive performance information). A possible explanation for the conflicting results among the Australian studies and the international studies (reviewed below) is that each study uses different financial and non-financial information items in its reporting indices. Further, country-specific regulatory differences might also contribute to some of the contrasting results as some of the international studies (discussed next) focus on data from the US and UK, which have significantly different NFP annual financial reporting environments.

Prior research finds a positive association between the extent of online disclosure by US-based NFPs (of which charities are a subset) and donations in the following year, suggesting

that NFPs obtain benefits from disclosing more extensive information (Gandía, 2011; Saxton et al., 2014). However, Saxton et al. (2014) also find that the more dependent an NFP is on contributions, the less they benefit from disclosing a greater extent of performance information. This latter finding suggests that there is a diminishing return to reporting more extensive performance information. Similarly, Trussel and Parsons (2007) find empirical evidence NFP organisations in the US (registered as 501(c) tax-exempt charities) that report fundraising expenses and fundraising expense ratios, positively influence donations in the following year. Using a sample of US undergraduate students, Buchheit and Parsons (2006) also find experimental evidence that financial and non-financial information is positively associated with the percentage of potential donors who are willing to make future contributions.

Besides the benefits, charities may also incur costs from reporting information, which can discourage them from reporting extensive service performance information. Prior research regarding the costs (e.g. time, resources, proprietary costs) of private NFPs reporting service performance information is rather limited. Research considers resource constraints as a limiting factor to the lack of extensive financial and non-financial information reporting by NFPs. For example, Luke, Barraket, and Eversole (2013) use three case studies of Tasmanian social enterprises to examine what performance measures are valued (considered important) by a social enterprise in practice. Data based on semi-structured interviews show that social enterprises are concerned with resource constraints, such as lack of time and human resources, for recording outcomes and impact. The social enterprises interviewed also highlight concerns regarding how to appropriately measure inputs, suggesting that any regulation might require a supporting guidance document to assist NFPs with preparing this information. Similarly, Palmer (2013) examines the attitude of NFPs and other stakeholders toward financial reporting in the Australian NFP sector. By using a content analysis of submissions made to the Australian Senate Economics Committee in response to the inquiry into the Disclosure Regimes for Charities and Not-For-Profit Organisations in 2008, Palmer's study found that the Senate inquiry respondents were primarily concerned with the compliance costs associated with the NFP regulatory framework.

Further, charities have not supported mandatory reporting of efficiency information and voiced concerns to regulators. For example, 50% of charities which made submissions to the AASB regarding ED 270 do not support the mandating of more extensive reporting requirements due to concerns relating to compliance costs (Australian Catholic Bishops Conference, 2016; Council of Rural Research and Development Corporations, 2016; YWCA Australia, 2016). Charities' opposition to mandated reporting requirements also relates to concerns that more extensive reporting could have adverse effects on charities' reputation or difficulties in measuring the information that is required under ED 270. More extensive reporting would enable stakeholders, such as the public and government, to better determine which charities are actually fulfilling their charitable purpose and thus, make

more informed contribution decisions. As such, the mandating of more extensive reporting means that charities engaging in non-charitable activities or which report unfavourable metrics (e.g. high administration costs) are at risk of losing stakeholder support. This is consistent with prior research, which indicates that donors demonstrate a preference (i.e. are more likely to donate) for more efficient NFPs, that is, NFPs with lower administrative and fundraising costs to total costs (Bowman, 2006; Khumawala et al., 2005; Trussel & Parsons, 2007). More specifically, charities may not report fundraising costs for concern that they might lose donations from donors.

While the studies above consider the costs of reporting service performance information mostly based on survey research data, prompting private and public NFPs to only identify the costs they consider in their reporting decisions rather than examining whether any specific costs influence the extent or quality of information reported. To address this gap in the literature, Johansson et al. (2017a) empirically examine whether proprietary costs influence the extent of non-financial information reported by Australian charities. Proprietary information is that information which is disclosed publicly and used by competitors to the detriment of the disclosing entity (Dye, 1986). Voluntary disclosure theory can be used to explain why charities disclose (or withhold) proprietary information because there are both costs and benefits associated with disclosing information (Dye, 1985; Verrecchia, 1983). Charities are subject to competitive forces as they compete on their ability to attract contributions because charities have limited access to financial resources (primarily from donors) to fund their operations. Theoretical models support the assertion that competition is a key feature of the NFP market, showing that NFPs alter their activities in response to competitive pressures (Aldashev & Verdier, 2010; Bilodeau & Slivinski, 1997; Castaneda, Garen, & Thornton, 2008; Susan, 1982; Thornton, 2006).

The perceived proprietary costs of disclosure discourage charities from reporting efficiency information as this enables stakeholders to assess whether charities have allocated their resources to beneficiaries, thereby influencing their funding decisions (Bowman, 2006; Khumawala et al., 2005; Parsons, 2003; Trussel & Parsons, 2007). Theory suggests proprietary costs are higher when organisations are faced with greater competition pressures, indicating that organisations will withhold information when they perceive that the costs of disclosing the information exceeds the benefits of disclosure (Clinch & Verrecchia, 1997; Verrecchia, 1983, 1990). In an examination of proprietary costs among Australian charities, Johansson et al. (2017a) argue that proprietary costs associated with the disclosure of efficiency information will be higher when there is greater competition for contributions in an activity group. This is because contributors will have more choice to select charities that report favourable efficiency information in activity groups with a larger number of charities, whereas charities that disclose unfavourable efficiency information are more likely to incur a cost in the form of losing contributions to competitor charities. Accordingly, where the perceived cost of reporting is considered to be higher than the

benefits in terms of attracting donations, charities will choose to withhold information from donors.

Using data collected from annual reports and annual information statements lodged between 2008 and 2014, Johansson et al. (2017a) find that activity group concentration based on donations is positively associated with the reporting of efficiency information by charities. Specifically, the results show that charities operating in more concentrated groups based on donations (i.e. in less competitive groups) report more efficiency information than charities in less concentrated groups (i.e. in more competitive groups). The findings indicate that the perceived proprietary costs of disclosure negatively influence charities' reporting of efficiency information in a setting where there is likely to be intense competition for contributions. That is, in voluntary environments, charities may be discouraged from reporting extensive service performance information and regulation might be required to encourage charities to report such information. The practical implication of Johansson et al. (2017a) findings is that NFPs may be discouraged from providing extensive service performance information in voluntary environments where the perceived costs of disclosing the information exceeds the benefits of disclosure.

Public Not-for-Profit Entities

Compared to research on private NFPs, studies concerning the costs and benefits of reporting service performance information by public NFPs is even less extensive. Published studies in this area only include an examination of the benefits (in terms of performance) of using performance management internally and the constraints on the reporting of service performance information.

Boyne and Law (1991) examine the annual reports of Welsh District Councils by conducting interviews with council staff and by corresponding with chief executives in order to determine why some local councils produce better annual reports than others. Local councils identify the following constraints on the production of their annual reports: staff resourcing; costs to comply with other statutory obligations; financial resources; and reluctance by politicians to provide a benchmark for objectives. Keerasuntonpong, Khanna, and Dunstan (2015) provide further evidence that staff resourcing constraints have an impact on the quality of the information provided by NFPs in their annual financial reports. Keerasuntonpong et al. (2015) show that the number of staff is positively and significantly associated with the quality (e.g. relevance, reliability, comparability, understandability) of service performance disclosures lodged by 73 NZ wastewater authorities. Julnes and Holzer (2001) also report that resourcing positively influences the adoption (development) and implementation (use) of performance measurement by public sector entities, suggesting that public sector entities will develop and use performance measurement if they have the appropriate level of staffing resources.

Pollanen (2005) investigates the actual and desired use of performance measures for management and external reporting purposes. Using survey responses from 334 senior administrators of Canadian municipalities, Pollanen finds that the three top impediments to using efficiency and effectiveness measures are due to the difficulty in identifying appropriate measures, difficulty in working out the meaningful use of measures, and the ambiguity of performance objectives. While Verbeeten (2008) did not specifically consider the external reporting of service performance information, he examines the relationship between public sector organisations having clear and measurable goals and their performance. Using survey data from 93 managers in public sector organisations in the Netherlands, he provides empirical evidence to suggest that the definition of clear and measurable goals is positively associated with quantity performance (as measured by efficiency and production targets) as well as quality performance (as measured by accuracy, innovation and employee morale).

Taken together, research in this area generally finds that NFPs obtain a benefit in terms of attracting donations by voluntarily reporting more extensive service performance information. However, they also face costs (e.g. time, resources, proprietary costs), which may discourage the reporting of efficiency information. Hence, the literature has also investigated regulations that may encourage charities to report such service performance information demanded by donors, and this will be explored next.

3.6 Impact of regulation on private and public NFP service performance reporting

Private Not-for-Profit Entities

The academic literature provides evidence that regulation on charities generally has had a significant positive impact on the extent of reporting of service performance information. Examining the effects of regulatory change in the Australian context, Johansson, Carey, and Tanewski (2017b) document how reporting requirements have changed with the introduction of a streamlined directors' report in 2010 and the establishment of a national charity regulator in 2012. They show that regulatory reforms have had a limited effect on mandated reporting requirements because few information items demanded by stakeholders are mandated after each reform. They also report that while regulatory reforms are positively associated with the more extensive reporting of information items that are deemed important by the public, the reporting of efficiency information by charities, an item highly valued by stakeholders, has not changed over time and remains limited.

Similarly, Crofts (2014) examines the factors that underpin the development and use of accountability reports and mechanisms by faith-based social service providers. Case studies of three Australian faith-based social service providers show that the primary driver of

performance reporting is government reporting requirements. Performance reporting is primarily communicated via financial statements and financial acquittal reporting and explained through quantitative key performance indicators related to broad government objectives, as well as accreditation and evaluation of certain services.

Other than in Australia, studies concerning the impact of regulation on the reporting of service performance information on private NFPs have generally emanated from the UK. This is primarily because in the UK regulatory environment, a revised Statement of Recommended Practices (SORP) for charities is released every few years (since the original publication of SORP 2 in 1988) and each revision contains new guidance for charities' reporting practices, enabling researchers to track the effects of SORP over time. While the SORP provides guidance to charities, it does not mandate the content of reports regarding the reporting of non-financial information, such as objectives, activities, achievements and performance (Hyndman & McConville, 2016). Studies generally find that regulation on charities has a significant impact on the reporting of service performance information.

The release of the first SORP 2 revisions on charities' accounting practices occurred in 1995 and Connolly and Hyndman (2000) considered its impact on the UK's 100 largest fundraising charities in 1994/95 and 1996/97. To assess longitudinal reporting practices from the issuance of the original SORP 2 in 1988, they also compared their results to Hines and Jones (1992), who analysed the reports from 1988 to 1990. Both the original and revised SORP 2 recommended that charities separately disclose administration and charitable expenses. Connolly and Hyndman found evidence that the effects of the SORP 2 had resulted in a significant improvement in accounting practices by charities over time, although these improvements were not immediately noticeable after the introduction of the first major revisions to SORP 2 in 1988. For example, they report that the level of compliance for fundraising expenses increased considerably from 1988/90 (58%) to 1994/95 (72%) and remained relatively stable in 1996/97 (71%).

Comparing the extent of compliance between Irish and British charities based on the first SORP 2 revisions in 1995, Connolly and Hyndman (2001) analysed 225 annual reports of British charities and 132 annual reports of Irish charities for the 1996/97 financial year. Although both British and Irish charities are subject to SORP 2, the levels of compliance by British and Irish charities were statistically significantly different. Specifically, the authors find that Irish charities are less likely to report on their fundraising, publicity, and administration expenses compared to British charities. The authors suggest that differences in scrutiny and statutory guidance might explain the differences in the impact of SORP 2 between Irish and British charities. For example, the UK has the Charity Commission, which encourages compliance with the SORP 2, whereas Ireland lacks such a body entirely. Further, the authors note that governing instruments relating to charities in Ireland make no reference to the applicability of the SORP 2 compared to governing instruments in the UK.

This suggests that regulators need to make reference to regulatory guidance in order to make charities aware that such guidance exists.

In a more recent investigation on the reporting of performance information among the top 100 British fundraising charities, Connolly and Hyndman (2013b) find that while most charities do not report efficiency information (fewer than 25% of charities report efficiency information), there has been an increase in the reporting of goals, objectives, output and efficiency since the 1990s (Hyndman, 1990). For example, measures of output were disclosed in 85% of annual reports compared with 29% in 1990. This increase in the reporting of service performance information is largely due to legislative changes, such as making the SORP 2 mandatory for large UK charities (i.e. an annual income of more than £500,000 or total assets of at least £2.8m).

However, Hyndman and McConville (2016) argue that while large UK charities must comply with SORP 2, the SORP is not prescriptive as to how charities should report on performance, beyond stating that charities “should identify any indicators, milestones and benchmarks against which the achievement of objectives is assessed by the charity” (SORP 2, 2005, para. 53). Though efficiency measures are not specifically mentioned, they are likely to represent important indicators that could be reported on. They find that the vast majority (94%) of charities fail to report a single efficiency measure in any channel of communication.¹⁰ While conversion ratios are much more commonly reported than efficiency measures, more than half of the charities studied did not report any conversion ratios.¹¹ For example, in the case of the two most commonly disclosed conversion ratios (charitable activity and fund-raising), 54% of charities did not report on these ratios through any channel of communication.

Likewise in the US, Thomson (2010) examines the extent of outcome measurement in NFPs and the relationship that outcome measurement has to the mandatory reporting requirements. Conclusions are derived from an analysis of survey and examination of site visit data for 237 Detroit NFPs in 2002 and a comparison of performance measures in 2007 for 110 of those NFPs that were subjected to new outcome reporting requirements instituted by the City of Detroit in 2004. The data support the conclusion that outcome reporting mandates affect the extent of outcome measurement among NFPs, even where resource constraints limited measurement prior to the mandates.

¹⁰ Efficiency measures are a ratio or calculation comparing inputs to outputs, for example, cost per student was £15.60 per week (Hyndman & McConville, 2016).

¹¹ Conversion ratios such as the administration cost as a percentage of total costs are also used as proxies for efficiency ratios. Their use reflects a view that charities exist to convert funds received into direct benefits for beneficiaries, and therefore increasing charitable activity ratios and decreasing administrative or fund-raising cost ratios are indicative of efficiency in doing so. However, such ratios can be misleading as the amount of money spent might not correlate to the quality and quantity of the outputs and outcomes (Sargeant, Lee, & Jay, 2008).

Public Not-for-Profit Entities

Prior literature considers the impact of regulation and regulatory pressures on the reporting of service performance information in New Zealand and finds that publication of examples of better practice or mandatory regulation (e.g. Statement of Concepts) has not significantly improved service performance reporting by public sector entities.

In a study using survey data from state and local government employees which examines the factors that affect adoption and implementation of performance measures among public sector organisations, Julnes and Holzer (2001) find that external reporting requirements positively influence the adoption, but not the implementation, of performance measurement by public sector entities. That is, external reporting requirements are positively associated with the development of performance measures, but not their use in public sector organisations. Similarly, Thompson (2001) finds that no museums in New Zealand report on their inputs, and 59% of performance indicators reported are not input, output or outcome indicators. This is despite the Statement of Concepts in New Zealand requiring public sector entities to report on inputs, outputs and outcomes.

In a more recent study, Keerasuntonpong and Cordery (2018) investigate the effectiveness of three initiatives undertaken by New Zealand's Auditor General on the service performance disclosures of 67 local authority water suppliers. The researchers found evidence that mimetic pressures (e.g. the publication of examples of better practice) did not sufficiently improve service performance disclosures. However, normative pressures (e.g. criticisms of long-term plans by the Office of Auditor-General) were effective in improving New Zealand local governments' service performance reporting. This study's results suggest that regulators should choose to emphasise normative initiatives, coercive initiatives or those aimed at legitimacy, rather than mimetic tools to improve service performance disclosures.

Notwithstanding the scant evidence found on service performance disclosures among public not-for-profit entities, the systematic review nonetheless provides substantial evidence to suggest that to date regulation on charities has had a significant positive impact on the extent of reporting of service performance information by charities.

4. Conclusions and Recommendations

A systematic review of the current reporting practices of both private and public NFPs finds that in voluntary settings, many charities do not voluntarily report service performance information. The disclosure of service performance information is mostly unregulated for private NFPs under the Australian reporting framework as the various national and state legislations are limited to regulating the reporting of financial information rather than non-



financial information, resulting in a lack of efficiency information being reported by NFPs, but mandating of such information with appropriate guidance (e.g. how to link efficiency information to goals) by regulators would be beneficial to stakeholders. Although Australia undertook regulatory reforms to the NFP sector in 2010 and 2012, such as introducing a streamlined directors' reports for companies limited by guarantee and the establishment of a national charity regulator, the ACNC, these reforms have led to a marginal increase in the reporting of non-financial information by private NFPs.

The research literature provides international evidence that regulation on charities generally has had a significant positive impact on the extent of reporting of service performance information and stakeholders prefer that NFPs report service performance information rather than financial statement information. Studies conducted in overseas jurisdictions find that stakeholders such as beneficiaries, contributors, members and regulators prefer NFPs to report on service performance information such as output-based (comparison between output and pre-set target) or outcome-based (comparison between outcome and pre-set target) effectiveness rather than financial statement information which primarily focuses on direct outputs of products or services or individual outcomes. More importantly, research in this area demonstrates that private NFPs obtain a benefit in terms of attracting donations by voluntarily reporting more extensive service performance (or non-financial) information. However, charities may also incur a cost (e.g. time, resources, and proprietary costs) from reporting information which can discourage them from reporting extensive service performance information. Fundraising charities in Australia are already required by legislation (refer to AASB Research Report No 5) to report on some efficiency items such as gross proceeds, amounts received by beneficiaries, and fundraising costs thereby providing more information on their outputs and results compared to non-fundraising charities. A standard setting approach which provides guidance on how to measure effectiveness consistently would overcome issues of inconsistency and thus problems of comparing the charity's effectiveness over time.

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Appendix 1 Summary of Population of Not-for-Profits and Charities by legal structure

Summary of Population of Not-for-Profits and Charities by Legal Structure

Legal structure	Number of Not-for-Profits (charitable and non-charitable)		Number of charities	
Companies limited by guarantee	11,700	1.96%	6,218	12.24%
Co-operatives	1,850	0.31%	-	
Incorporated associations	136,000	22.76%	20,808	40.97%
Unincorporated associations	440,000	73.63%	15,905	31.31%
Organisations incorporated by other methods ¹	8,000	1.34%	-	-
Trusts ²	-	-	6,225	12.26%
Other legal structure ³	-	-	1,636	3.22%
Total	597,550	100.00%	50,792	100.00%

Sources: Productivity Commission (2010), Cortis et al. (2016). While the ACNC website states that there are 55,086 charities registered with the ACNC, the report by Cortis et al. (2016) analysed legal entity of 50,792 charities that complied with reporting requirements for the 2015 financial year.

¹ The Productivity Commission states that these include organisations incorporated under industrial legislation (such as trade unions and employer associations); the Aboriginal Councils and Associations Act; Friendly Society Acts; Education Acts; and specific acts of parliament.

² The Productivity Commission (2010) report does not provide the number of NFPs that are trusts.

³ Other legal structure includes co-operatives and indigenous corporations.



Appendix 2: Summary of Studies Cited

No.	Author(s)	Year	Title	Journal	Summary
1	Aldashev, G. and T. Verdier	2010	Goodwill bazaar: NGO competition and giving to development	Journal of Development Economics	This paper builds a model of competition through fundraising between horizontally differentiated NGOs. NGOs allocate their time resource between working on the project and fundraising, which attracts private donations. If the market size is fixed, the fundraising levels increase with the number of NGOs and the free-entry equilibrium number of NGOs can be larger or smaller than the socially optimal number, depending on the efficiency of the fundraising technology. If the market size is endogenous and NGOs cooperate in attracting new donors, fundraising levels decrease with the number of NGOs and the free-entry equilibrium number of NGOs is smaller than the one that maximizes the welfare of donors and beneficiaries. If NGOs can divert funds for private use, multiple equilibria (with high diversion and no diversion of funds) appear.
2	Berman, G. and S. Davidson	2003	Do donors care? Some Australian evidence	Voluntas: International Journal of Voluntary and Non-profit Organisations	It is commonly believed that individuals would donate more to charity if they were assured that the funds would not be “wasted.” This is a common answer to survey type investigations into charitable giving. In this paper we adopt a law and finance approach to investigate the validity of this contention in the Australian context. We develop an Accountability Rights variable and relate that variable to charitable donations. The relationship between the two is statistically weak and not robust.



No.	Author(s)	Year	Title	Journal	Summary
3	Bilodeau, M. and A. Slivinski	1997	Rival charities	Journal of Public Economics	The paper develops a model in which a number of charities (or other non-profit firms) provide various bundles of public goods or services through private donations. The motivation for individuals to found and operate such firms is that it allows them to influence the mix of public goods. It is their decisions regarding the allocation of donations across uses that matter in the end. Donors to these firms take into account the allocation decisions that will be made by the organisations to which they contribute. We find a propensity for such organisations to specialize in the provision of services, and further find that diversification by such firms diminishes the equilibrium level of contributions they will collect. We demonstrate the possibility that a commitment by a monopoly charity to an allocation rule that is, ex-post, privately sub-optimal can eliminate this effect, and may therefore be advantageous, ex-ante. The allocation rule which accomplishes this involves honouring donor designations of their contributions to specific uses. This is a policy that is frequently adopted by local chapters of the United Way.
4	Bowman, W.	2006	Should donors care about overhead costs? Do they care?	Non-profit & Voluntary Sector Quarterly	This article reports on a theory-based experiment to determine whether there is an observable relationship between changes in charitable giving to an organisation and changes in the proportion of revenue it spends on administration and fund-raising ("overhead ratio"). This article argues that overhead ratios are meaningless for comparing organisations, but changes in overhead ratios communicate useful, though incomplete, information to donors. Empirical studies have used organisation-level data with mixed results. This research improves on past work by using donor-level information on federal employees in the Chicago area who donate through the Combined Federal Campaign with ready access to information on the overhead ratios of all participating charities. Donations are aggregated by charity and compared over time. Statistical tests give evidence of an inverse relationship between changes in overhead ratios and changes in giving that are robust with respect to model specification; however, collectively other factors are much more important.



No.	Author(s)	Year	Title	Journal	Summary
5	Boyne, G. and J. Law	1991	Accountability and local authority annual reports: The case of Welsh district councils	Financial Accountability & Management	The aim of this paper is to evaluate the information provided to the public in the annual reports published by Welsh District Councils. Our analysis is in four parts. The first part outlines the origins of annual reports and summarises the pressures towards performance measurement in local government. The second part considers the concept of 'performance' in more detail and analyses the definitions used by political parties, professional organisations, consumer groups and academics. The third part provides a checklist of indicators which correspond to the definitions of performance contained in these various sources and uses this checklist to evaluate district council annual reports. The survey covers the years 1981/2 to 1988/9 and examines 13 aspects of local service provision. The final part summarises the main findings of the analysis and makes recommendations on the future role of annual reports in the process of local political accountability.
6	Brun, M. and J. Siegel	2006	What does appropriate performance reporting for political decision makers require: Empirical evidence from Switzerland	International Journal of Productivity and Performance Management	The results of the study reflect the distinct roles of the parliament in the performance contracting process. On the content side of the reports, they are expected to contain general as well as detailed information. Outcome rather than output indicators are demanded, especially by parliamentarians. There is also a need for "early warning indicators" of long-term threats and extraordinary incidents. Formally, a homogeneous reporting format across government should be realised. Reports are expected to be well visualized and to contain the most relevant indicators. Changes and deviations should be commented on. Reports should be printed, additional electronic publication would be accepted; external revision is considered to be necessary. Regarding time-related aspects, the assumption is confirmed that political decision makers have very little time to deal with the reports. Reporting has to be as up to date as possible. Parliaments demand a one or two-year rhythm; governments require annual or even semi-annual reports.



No.	Author(s)	Year	Title	Journal	Summary
7	Buchheit, S. and L. M. Parsons	2006	An experimental investigation of accounting information's influence on the individual giving process	Journal of Accounting and Public Policy	<p>In this study, we experimentally investigate accounting information's role in the individual donation process. Specifically, we manipulate the presence of service efforts and accomplishments (SEA) information in conjunction with a typical fundraising request. We then investigate whether donors obtain comparative financial accounting information for the purpose of maximizing donation efficiency. In our experiment, potential donors felt that fundraising requests containing SEA disclosures were more informative than typical fundraising pleas. In addition, supplementing a standard fundraising request with summary SEA information significantly increased (1) the quality perception of the requesting charitable organisation; and (2) the percentage of potential donors who claimed they would donate to the requesting organisation in the future. However, SEA information did not translate into increased actual giving in our study. Our experiment next offered actual donors the opportunity to obtain comparative financial information for the purpose of verifying efficient giving (i.e. donors could compare the soliciting organisation to a similar organisation). Although the majority of actual donors were unwilling to obtain this information, the vast majority of those viewing financial accounting information donated to the organisation with the highest program-spending ratio. As such, our results support two seemingly opposed contentions: (1) only a minority of individual donors request and use financial information, however; (2) there is a need for increased accuracy of not-for-profit expense classification.</p>



No.	Author(s)	Year	Title	Journal	Summary
8	Castaneda, M. A., et al.	2008	Competition, contractibility, and the market for donors to nonprofits	Journal of Law, Economics, & Organization	This article investigates theoretically and empirically the effects of competition for donors on the behaviour of non-profit organisations. Theoretically, we consider a situation in which non-profit organisations use donations to produce some commodity, but the use of donations is only partially contractible. The main results of the model indicate that an increase in competition (i) decreases the fraction of donations allocated to perquisite consumption; and (ii) increases the fraction of donations allocated to promotional expenditures. Moreover, the effects of competition are magnified by the ability to contract on the use of donations. These hypotheses are tested with data on the expenditures of non-profit organisations in a number of subsectors where competition is primarily local. We use across-metropolitan statistical areas' variation to measure differences in competition and proxy contractibility by the importance of tangible assets, which are more easily observed by donors. The estimated effects of competition and contractibility are consistent with our model.
9	Connolly, C. and N. Hyndman	2000	Charity accounting: An empirical analysis of the impact of recent changes	The British Accounting Review	Since the early 1980s attempts have been made to reduce the diversity in accounting practice and improve the quality of the published financial statements of charities. Two major events in this process were the publication of the original Statement of Recommended Practice (SORP) 2 in 1988 and its revision in 1995. Changes have been predicated on the dominance of the user-needs model and it is argued that inconsistencies in the financial statements of charities and the adoption of dubious accounting practices make it difficult for users of charity accounts to understand (and therefore use) the information provided. This paper presents the results of an empirical analysis of 151 financial statements of large fund-raising charities in England and Wales as a basis for identifying the impact of both the original SORP and the revised SORP. The study's main conclusion is that charity accounting has improved significantly since the 1980s (where improvement is seen in terms of increasing compliance with recommended practice) and it is suggested that the impact of the revised SORP, like the original SORP, is likely to be major, although not immediately so.



No.	Author(s)	Year	Title	Journal	Summary
10	Connolly, C. and N. Hyndman	2001	A comparative study on the impact of revised SORP 2 on British and Irish charities	Financial Accountability & Management	Charities constitute an important sector in the economies of Britain and Ireland. However, despite their economic importance, charity external financial reporting has been characterised by a diversity of accounting practice and a lack of standardisation. Over the last 20 years an attempt has been made to improve this situation by the publication of a Statement of Recommended Practice (SORP) for charities in 1988 and its revision in 1995. It is argued that inconsistencies in the financial statements of charities and the adoption of dubious accounting practices make it difficult for users of charity accounts to understand (and therefore use) the information provided. Previous studies have mainly looked at the impact of the original SORP (1988) on large charities in Britain. Little is known with respect to the impact on Irish charities. This paper presents the results of a comparative analysis of over 200 financial statements of Irish and British charities with respect to the recommendations contained in the revised SORP (1995). The results provide evidence that the accounts of Irish charities are considerably less compliant with the recommendations made in the revised SORP than their British counterparts. Possible reasons for this are discussed.
11	Connolly, C. and N. Hyndman	2013a	Towards charity accountability: Narrowing the gap between provision and needs?	Public Management Review	Although charities currently play a rich and varied role in modern society, their continued success is dependent upon the public's trust. With respect to charity accountability, two key questions emerge: to whom is a charity accountable; and what form should that account take? Despite the widespread acceptance that charities should discharge accountability, there is limited knowledge of the relative importance of different stakeholder groups and whether the information currently being disclosed meets their needs. Using extensive document analysis and a survey of stakeholders, this research explores these issues in the context of the top 100 UK fundraising charities. Furthermore, it compares the results with much earlier research to identify changes over time.



No.	Author(s)	Year	Title	Journal	Summary
12	Connolly, C. and N. Hyndman	2013b	Charity accountability in the UK: through the eyes of the donor	Qualitative Research in Accounting & Management	This research offers evidence that while donors are viewed as the key stakeholder to whom a charity should be accountable, the relevance of the information commonly disclosed in formal charity communications is questionable. This is viewed as significant in terms of small dependent donors, although less critical in the case of non-dependent large donors who have power to demand individualised information. However, although all donors do not particularly engage with these formal communications, they are viewed by them as having significance and their production and publication serves as an important legitimising tool in the sector (enhancing trust and reputation).
13	Connolly, C. and N. Hyndman	2016	Charity Accountability in the UK: Through the Eyes of the Donor	Qualitative Research in Accounting & Management	This paper explores accountability from the perspective of charity donors. The study utilises semi-structured interviews with a range of donors and finds that while donors are viewed as the key stakeholder to whom a charity should be accountable, the relevance of the information commonly disclosed in formal charity communications is questionable. This is viewed as significant in terms of small dependent donors, although less critical in the case of non-dependent large donors who have power to demand individualised information. However, although all donors do not particularly engage with these formal communications, they are viewed by them as having significance and their production and publication serves as an important legitimising tool in the sector (enhancing trust and reputation).
14	Connolly, C. and N. Hyndman	2017	The donor–beneficiary charity accountability paradox: A tale of two stakeholders	Public Money and Management	Using stakeholder theory, this paper explores the motivations of charities in discharging accountability and the interplay of donor and beneficiary accountability needs. It considers the extent to which concentration on one group may disadvantage another. The authors found that stakeholders commonly perceived as more salient, such as donors, cede power and impute saliency to beneficiaries.



No.	Author(s)	Year	Title	Journal	Summary
15	Connolly, C., et al.	2013	UK charity accounting: An exercise in widening stakeholder engagement	The British Accounting Review	Given the economic and social impact of the charity sector in the United Kingdom (UK), the importance of good governance has been recognised as a basis for underpinning effective and efficient performance, and for ensuring that charities meet the legitimate aspirations of key stakeholders. A major aspect of this is high-quality accounting and reporting. Over the past 25 years attempts have been made to improve this through the medium of successive, evolving versions of a Statement of Recommended Practice (SORP) for charities. As a foundation for the future review of the SORP (expected to be published in 2015), the SORP Committee undertook its largest ever consultation on an accounting pronouncement. This paper presents the findings of that consultation and analysing them using stakeholder theory, concluding that this ambitious exercise facilitated much wider stakeholder engagement than had been experienced before and has the potential to legitimise further the SORP.
16	Crofts, K.	2014	What drives the construction of reports and other accountability mechanisms in Australian faith-based social service not-for-profit organisations?	Third Sector Review	The research study undertaken in relation to this paper broadly examined the perceptions of accountability by managers of faith-based social service not-for-profit organisations (NFPs). Through these perceptions, it aimed to gain an understanding of why particular forms and methods of reporting were used to satisfy accountability obligations to multiple stakeholders. This particular paper focused on what drove the construction of accountability reports and other accountability mechanisms investigated in the research study.
17	Dhanani, A.	2009	Accountability of UK charities	Public Money and Management	This article examines the accountability practices of the largest charitable organisations in England and Wales by analysing information on the GuideStar UK website. The website is biased towards descriptive information and is light on evaluative information. Reporting practices of non-fundraising charities are weak, and disclosures for almost one-third of the charities were outdated. Clearly, more needs to be done to improve sector accountability.



No.	Author(s)	Year	Title	Journal	Summary
18	Dhanani, A. and C. Connolly	2012	Discharging not-for-profit accountability: UK charities and public discourse	Accounting, Auditing & Accountability Journal	The results suggest that contrary to the ethical model of stakeholder theory, the sample charities' accountability practices are motivated by a desire to legitimise their activities and present their organisations' activities in a positive light. These results contradict the <i>raison d'être</i> of NFP organisations (NFPOs) and the values that they espouse. Research limitations/implications – Understanding the nature of accountability reporting in NFPOs has important implications for preparers and policy makers involved in furthering the NFP agenda. New research needs to examine shifts in accountability practices over time and assess the impact of the recent self-regulation developed to enhance sector accountability.
19	Furneaux, C. and W. Wymer	2015	Public trust in Australian charities: Accounting for cause and effect	Third Sector Review	This paper reports on a study of the key determinants of public trust in charitable organisations, using survey data commissioned by the Australian Charities and Not-for-profits Commission. Data analysis used partial least squares structural equation modelling to examine both antecedents of trust and the influence of trust on charitable donative intentions. We found that people tend to trust charities with which they are familiar, and which are transparent in their reporting. Organisational size, importance, reputation and national significance were also antecedents of trust. People are more likely to volunteer or donate to charities they trust. The practical implications of this are that charities seeking to enhance their volunteer and donation base should pay attention to their marketing, reputation and disclosure activities, as well as to doing good work on an ongoing basis in the community. Theoretically, the implications are that transparency and reputation do not result directly in donations and volunteering, but they do create trust, and it is trust which then leads to donations and volunteering.



No.	Author(s)	Year	Title	Journal	Summary
20	Gandía, J. L.	2011	Internet disclosure by nonprofit organizations: Empirical evidence of nongovernmental organizations for development in Spain	Nonprofit and Voluntary Sector Quarterly	This article examines the relevance of technology, and particularly the Internet, for the improvement of accountability and transparency in non-profit organisations. The novelty of our work regarding the previous empirical evidence resides in the fact that we have taken into account the means through which these organisations diffuse voluntary information. In this article, we have proposed a model of information disclosure for the Web sites of Spanish nongovernmental organisations for development (NGODs) that can serve as a guide for improving their informative transparency and their accountability. The empirical evidence obtained reveals that Spanish NGOD Web sites are primarily ornamental and that they should evolve toward an environment more informational and relational that allows the stakeholders to access relevant information ranging from the work being done and the use of the dispersed funds to the form in which the organisation is governed. Our results have also confirmed that the disclosure levels are related to the amount of future donations received by the organisation.
21	Haski-Leventhal, D. and C. Foot	2016	The relationship between disclosure and household donations to nonprofit organizations in Australia	Nonprofit and Voluntary Sector Quarterly	Based on the signalling theory and its application in non-profit organisations, this study examines the relationship between disclosure in non-profits and ability to attract household donations. Based on 50 random Australian non-profits, scores were assigned for fiduciary, financial, performance, and total disclosure. A significant correlation was observed between the extent of total household donations received and a change in marketing and fundraising spend. However, there was no significant relationship identified between total household donations and disclosure. As disclosure does not seem to be rewarded by household donors, this article discusses the potential for a national educational campaign to inform donors of the increasing accessibility of this type of information, the benefits of utilising this type of information, and how best to use it.



No.	Author(s)	Year	Title	Journal	Summary
22	Herawaty, M. and Z. Hoque	2007	Disclosure in the annual reports of Australian government departments: A research note	Journal of Accounting & Organizational Change	Annual reports are perceived to be important sources of information about government departments' performance, accountability, efficiency and effectiveness. This paper aims to report on an empirical study that explores the current disclosure practices by Australian government departments. The findings reveal that the voluntary disclosure level is higher than the mandatory disclosure in the subject departments. Further, it is found that the annual reports of government departments reveal a low level of disclosures in the areas of human resources, asset management, external scrutiny, purchasing, and contracting.
23	Hines, A. and M. J. Jones	1992	The impact of SORP 2 on the UK charitable sector: An empirical study	Financial Accountability & Management	Charities and voluntary organisations represent an increasingly important sector of the British economy. There are now over 175,000 charities registered with the Charity Commission in England and Wales (Charities Aid Foundation, 1990, p. 6). This excludes Scottish and other charities (such as churches and universities) which are exempt from compulsory registration and a large number of charities which have not registered. From approximately £7bn in 1980 (Charities Aid Foundation, 1987), the sector's income had risen to about £15bn in 1989 (Accountancy, July 1989, p. 16), equivalent to approximately £8.7bn at 1980 prices, an increase in real terms in excess of 20 per cent. However, despite their economic importance, there has been comparatively little attention paid to the provision of an adequate monitoring and control system, which would enable the performance of individual charities to be effectively evaluated and inter-charity comparisons to be made (see, for example, Smith, 1990). External financial reporting, in particular, has been characterised by a diversity of accounting practices and a paucity of accounting guidelines. The traditional lack of regulation within the charity sector has, however, been challenged recently. In May 1988, the introduction of SORP2 (Statement of Recommended Accounting Practice 2) brought a measure of authoritative guidance to the sector (ASC, 1998a). SORP2 is thus a watershed in the development of accounting practices within the charity sector and to reduce 'the (current) diversity in accounting practice and presentation' (ASC, 1988a).



No.	Author(s)	Year	Title	Journal	Summary
24	Huang, H. and K. Hooper	2011	New Zealand funding organisations: How do they make decisions on allocating funds to not-for-profit organisations?	Qualitative Research in Accounting and Management	The most important finding is that there is a strong pattern emerging as to how the selected FOs determine the allocation of their funds. Outcomes and key people are important criteria for these FOs, while financial information is regarded as less relevant. On balance, the New Zealand funders involved in this study seem to adopt a creative approach to allocating their funds. To explain the lack of performance and financial measurements, it may be that, unlike their for-profit counterparts, not-for-profit (NFP) organisations' managers are not constrained by returns to shareholders, earnings per share and the bottom line. Thus, many of the New Zealand funders' allocations rely on an instinctive feel for the projects proposed and the character of the applicants proposing them.
25	Hyndman, N.	1990	Charity accounting: An empirical study of the information needs of contributors to UK fund raising charities	Financial Accountability & Management	By comparison with financial reporting by business enterprises, the area of accounting and reporting by charities is relatively underdeveloped in the United Kingdom. Until recently little attention has been paid to the charity sector in terms of accounting and reporting, with the first major work in the area being carried out by Bird and Morgan-Jones (1981). As a result of this study, the Accounting Standards Committee (ASC) set up a working party in 1982 to consider the area and subsequently published three documents on the subject (ASC 1984, 1985 and 1988).
26	Hyndman, N.	1991	Contributors to charities - A comparison of their information needs and the perceptions of such by the providers of information	Financial Accountability & Management	This paper describes research carried out to identify the views of providers of information regarding the importance of contributors as users of charity reports and the perceptions of such providers concerning the importance to contributors of various information types. The perceptions of importance of information types are analysed to identify differences between them and the actual information needs as described in the Hyndman (1990) paper. This research was carried out with a view to explaining the 'relevance gap'.



No.	Author(s)	Year	Title	Journal	Summary
27	Hyndman, N. and R. Anderson	1995	The use of performance information in external reporting: An empirical study of UK executive agencies	Financial Accountability & Management	This paper highlights the requirement for Executive Agencies to be more directly accountable to those outside their immediate management, especially concerning performance. The paper discusses the importance of performance information in external reporting and, through an analysis of 57 recent annual reports, examines the extent to which such information is disclosed. By comparing the results of this analysis with earlier evidence, changes in emphasis are identified. The research, although questioning the adequacy of performance reporting by Agencies, provides evidence of improvement over time.
28	Hyndman, N. and R. Anderson	1998	Performance information, accountability and executive agencies	Public Money & Management	The growth of executive agencies in the UK has been rapid. The first agency was established in 1988, and by October 1997, over 75% of civil servants were working in such organisations. They were created to improve the efficiency and effectiveness of the delivery of central government services. Accountability was widened, and an emphasis was placed on the need to develop performance measurement and performance reporting systems. This article discusses the importance of performance information for accountability by agencies, and through a time-series study of annual reports, examines changes over time. While highlighting the increasing use of performance information in external reporting, the article identifies significant weaknesses.
29	Hyndman, N. and D. McConville	2016	Transparency in Reporting on Charities' Efficiency: A Framework for Analysis	Nonprofit and Voluntary Sector Quarterly	In recent difficult economic times, the efficiency with which a charity spends the funds entrusted to it has become an increasingly important aspect of charitable performance. Transparency on efficiency, including the reporting of relevant measures and information to understand, contextualize, and evaluate such measures, is suggested as important to a range of stakeholders. However, using a novel framework for the analysis of efficiency reporting in the context of transparency and stakeholder theory, this research provides evidence that reporting on efficiency in U.K. charities lacks transparency, both in terms of the extent and manner of disclosure. It is argued that efficiency reporting in U.K. charities is more concerned with legitimizing these organisations rather than providing ethically driven accounts of their efficiency.



No.	Author(s)	Year	Title	Journal	Summary
30	Hyndman, N. and D. McConville	2018	Making charity effectiveness transparent: Building a stakeholder-focused framework of reporting	Financial Accountability & Management	Effectiveness in achieving mission is fundamental to evaluating charity performance, and is of central concern to stakeholders who fund, regulate and otherwise engage with such organisations. Exploring the meaning of transparency in the context of stakeholder engagement, and utilising previous research and authoritative sector discussion, this paper develops a novel framework of transparent, stakeholder-focussed effectiveness reporting. It is contended that such reporting can assist the charity sector in discharging accountability, gaining legitimacy and in sharpening mission-centred managerial decision making. Then applying this to UK charities' publicly available communications, it highlights significant challenges and weaknesses in current effectiveness reporting.
31	Hyndman, N. and D. McConville	2018	Trust and accountability in UK charities: Exploring the virtuous circle	British Accounting Review	Public trust and confidence in charities is essential for the achievement of their missions. However, recent evidence suggests that trust in UK charities has been damaged, potentially affecting charities' and the charity sector's sustainability and effectiveness. This paper constructs accountability as an important means of developing, maintaining and restoring trust in charities. Through a series of interviews with charity managers, it investigates the public and private mechanisms used in discharging accountability to, and building trust with, charities' main stakeholder groups. The paper identifies the use of a wide range of mechanisms, often highly tailored to particular stakeholders' perceived information needs, which are seen as critical in this process. It is argued that the use and interplay of these can create a 'virtuous circle' of accountability and trust, where each reinforces the other. It is argued that where this is achieved, trust in individual charities, and the sector as a whole, can be enhanced.



No.	Author(s)	Year	Title	Journal	Summary
32	Johansson, E., et al.	2017	The influence of proprietary costs on charities' reporting practices and the market for contributions	Deakin University Working paper	This paper investigated the association between the proprietary costs of voluntary disclosure and the reporting of efficiency information. Using group concentration as a proxy for the perceived proprietary costs of disclosure, this paper found a positive association between group concentration (based on contributions) and the reporting of efficiency information by charities. While it was found that charities in more concentrated groups (based on donations) with lower proprietary costs report more information, results show that charities in more concentrated groups (based on grants) with higher proprietary costs report less information. The results also indicate a positive relationship between the reporting of efficiency information and charities' market share of donations in the following year. The findings suggest that the perceived proprietary costs of disclosure negatively influence charities' reporting decisions, if the costs of reporting efficiency information outweigh the perceived benefits in terms of attracting donations.
33	Johansson, E., et al.	2017	Reporting regulation and charities' accountability to stakeholders	Deakin University Working paper	This paper considered whether changes to the Australian charity reporting framework has mandated greater reporting requirements and whether charities' voluntary reporting practices have changed over time. Major reforms to reporting requirements include the introduction of streamlined directors' reports for companies limited by guarantee and the establishment of a national charity regulator, the ACNC. Examination of the regulatory framework revealed that these reforms have had a limited effect on mandated reporting requirements because few information items demanded by stakeholders are mandated after each reform. It is also found that while reform under Regime 3 (ACNC January 2013-present) has encouraged charities to voluntarily report information, future reform is required to encourage charities to report efficiency information. The following chapter investigates how members – another important stakeholder group in charities – influence the reporting of financial and non-financial information by charities.



No.	Author(s)	Year	Title	Journal	Summary
34	Johansson, E., et al.	2019	The effect of members on charities' reporting practices	Deakin University Working paper	Extant research into charities has focused on contributors but not on members as the primary stakeholder group to whom charities discharge accountability. This study examines charities' members as an influential stakeholder group who are in a position to affect the reporting of information. Following stakeholder and agency theories, we posit that charities with a larger membership base are likely to report more information because information asymmetry is greater when there are more members. We analyse data on 630 charity-year observations for a sample of charitable companies that lodged annual reports with regulators from 2008 to 2014. Results show positive relationships between number of members and the extent of information reported by charities and between the extent of disclosure in annual reports provided by charities and future charitable contributions. More importantly, our results indicate that members only have a significant and positive effect on future donations and grants through the reporting of financial and non-financial information. Our findings are relevant for policy makers, researchers and regulators, as they support regulatory and governance standards that recognise members as an important stakeholder group to whom charities are accountable.
35	Julnes, P. d. L. and M. Holzer	2001	Promoting the utilization of performance measures in public organizations: An empirical study of factors affecting adoption and implementation	Public Administration Review	Despite its appeal for improving government, many state and local governments have not developed performance-measurement systems, and even fewer use these systems to improve decision making. This study examines the factors that affect the utilisation of performance measurement, based on the results of a national survey of state and local government officials. The goals of the study were to provide better information on the patterns of usage of performance measurement and to use this information to develop an elaborated model of the factors presumed to affect utilisation. Using distinctions from the policy and evaluation literature, hypotheses were tested and confirmed: Policy adoption is driven more heavily by factors from rational and technocratic theory, whereas actual implementation is influenced by factors addressed by political and cultural considerations.



No.	Author(s)	Year	Title	Journal	Summary
36	Keerasuntonpong, P. and C. Cordery	2018	How might normative and mimetic pressures improve local government service performance reporting?	Accounting & Finance	Increasingly, public sector organisations are being encouraged or required to provide service performance information in addition to financial statements. Yet, reporting is often inferior, as shown by this example of local governments in New Zealand. Poor quality reporting has led to different initiatives to improve service performance reporting quality, and this study investigates the effectiveness of three initiatives undertaken by the Auditor-General. Drawing on contemporary institutional and legitimacy theories, we find that normative pressure in tandem with threats to legitimacy is influential in improving service performance reporting. However, despite mimetic examples also being used, the analysis shows it is an ineffective tool in the New Zealand local government context.
37	Keerasuntonpong, P., et al.	2015	Factors influencing disclosures of service performance of New Zealand local authorities	Pacific Accounting Review	The results indicate that the coercive pressure alone, without the support of mimetic and normative pressures, has had little influence on disclosure practice, with the majority of local authorities not adhering to the authoritative requirements. Political competition, size of constituency, constituency sophistication, political visibility, staff availability, personal attributes of accounting staff and financial resource availability are identified as likely influential factors for the SSPs. Size, proxied by total assets, proves to be significantly associated with the SSP reporting correspondence.



No.	Author(s)	Year	Title	Journal	Summary
38	Khumawala, S. B., et al.	2005	Assessing the quality of not-for- profit efficiency ratios: Do donors use joint cost allocation disclosures?	Journal of Accounting, Auditing and Finance	We examine whether required disclosures regarding joint cost allocations raise concerns about the validity of efficiency ratios reported by not-for-profit organisations. An experimental design is used to hold constant the geographic location, size, and mission of competing charitable organisations. Participants include financial officers of not-for-profit organisations (preparers), foundation executives (expert donors), and students (novice donors). We find that preparers base contribution decisions almost entirely on the reported fund-raising cost and accept the validity of reported program ratios. Foundation executives, representing experienced users of not-for-profit financial statements, also appear to accept the joint cost allocations as reported. By contrast, novice users are the most attentive to the allocation disclosures and consider them more often when deciding on the amount of a hypothetical gift. Overall, there is little evidence that joint cost allocation disclosures are used to adjust reported expenditures for fund-raising costs. Based on our results, donors appear to ignore the effects of allocating joint costs. Although current accounting standards limit the availability of an accounting method commonly used to manage financial results, it appears that the opportunity for not-for-profit managers to use joint cost allocations to manage ratios and influence donors remains.
39	Leat, D.	2007	Information for a messy world: Making sense of pre-grant inquiry	Third Sector Review	This paper considers the application content and processes of forty Australian philanthropic grant-makers of varying sizes. It presents and briefly discusses the methods and content of pre-grant inquiry, and then considers the underlying nature and purposes of pre-grant inquiry. It is suggested that pre-grant inquiry functions, in part, as a sense-making device that enables foundations to act with some degree of comfort in an uncertain, ambiguous and risky environment. The paper concludes by suggesting that Australian foundations need to consider carefully the bases, uses, functions and potentially toxic consequences of pre-grant inquiry before it is developed further. Although the data reported are from Australian foundations, many of the wider issues are of relevance to foundations in the UK and elsewhere.



No.	Author(s)	Year	Title	Journal	Summary
40	Lee, J.	2006	Performance reporting by Australian government trading enterprises: An empirical study	Australian Accounting Review	Performance reporting forms a critical part of the governance processes of government trading enterprises (GTEs). Accountability and transparency are of particular concern because social obligations of GTEs could be compromised by the growing dominance of commercial objectives. An analysis of the reporting of performance information in the annual reports of selected GTEs over a five-year period revealed a number of inadequacies, including diverse approaches to reporting about effectiveness, service quality, achievement of social objectives and comparative non-financial performance. The analysis reinforces the need for further research into how annual reports can better reflect the performance of government businesses.
41	Lee, J.	2008	Preparing performance information in the public sector: An Australian perspective	Financial Accountability & Management	This paper examines performance information and reporting issues through a survey of the views of public sector managers in Australia regarding the importance of selected performance information in achieving the objectives of an organisation, the extent of information development, usefulness for reporting in annual reports, and actual reporting. The results reveal the existence of a gap between information considered important, the extent of development, and information considered useful for annual reporting. Most non-financial performance information is still being developed and less frequently reported, particularly output quality information.
42	Liguori, M., et al.	2012	Some like it non-financial: Politicians' and managers' views on the importance of performance information	Public Management Review	Over the last decades the process of modernisation in the public sector has fostered the adoption of new accounting techniques, such as accrual accounting and non-financial performance measurement systems. The purpose of this paper is to test hypotheses on the different perceptions of politicians and managers as to the importance of performance information. Our findings suggest that politicians' and managers' views on the importance of performance information are more similar than expected. They also show that accounting innovations are in some cases embraced with enthusiasm (non-financial performance), whereas in other cases they are hardly recognized (e.g. accrual accounting).



No.	Author(s)	Year	Title	Journal	Summary
43	Lonti, Z. and R. Gregory	2007	Accountability or countability? Performance measurement in the New Zealand public service	Australian Journal of Public Administration	This article examines how output classes and performance indicators have changed between 1992 and 2002 in five selected departments of the New Zealand Public Service. Process, output and largely artificial service quality performance measures have crowded out outcome, efficiency and effectiveness indicators, across the board. Both output classes and performance indicators have been highly labile, though the reasons for this remain speculative in the meantime. The New Zealand state sector is currently implementing a “managing for outcomes” strategy, intended to overcome too strong a preoccupation with the production of outputs. However, because output classes remain the key feature of the Public Finance Act 1989 the means of ensuring and demonstrating policy effectiveness must be more broadly based than a reliance on the countability of organisational output classes and performance measures.
44	Luke, B., et al.	2013	Measurement as legitimacy versus legitimacy of measures: Performance evaluation of social enterprise	Qualitative Research in Accounting & Management	The purpose of this paper is to review the growing emphasis on quantifiable performance measures such as social return on investment (SROI) in third sector organisations specifically, social enterprise through a legitimacy theory lens. It then examines what social enterprises value (i.e. consider important) in terms of performance evaluation, using a case study approach. Findings highlight a priority on quality outcomes and impacts in primarily qualitative terms to evaluate performance. Further, there is a noticeable lack of emphasis on financial measures other than basic access to financial resources to continue pursuing social goals.



No.	Author(s)	Year	Title	Journal	Summary
45	McDowell, E., et al.	2013	An experimental examination of US individual donors' information needs and use	Financial Accountability & Management	This paper adopts an internet-based experiment to investigate whether and how individual donors use non-profit organisations' financial and nonfinancial information when making their donation decisions. Using undergraduate students in the United States (US) to proxy for individual donors, our results indicate that individual donors are more likely to acquire non-financial information, such as non-profit organisations' goals, outcomes, programs and missions, than financial information. Donors integrate non-financial information into their decisions as their actual donations are significantly correlated with such information. Our results also indicate that while individual donors acquire financial efficiency measures, including the program expense ratio and fundraising expense ratio, they do not seem to integrate such information into their decisions as their actual donations are not significantly correlated with the efficiency information. This study contributes to the non-profit literature and research domain focusing on charitable giving and donor preferences.
46	Palmer, P. D.	2013	Exploring attitudes to financial reporting in the Australian not-for-profit sector	Accounting and Finance	The current level of satisfaction among different stakeholders about the current approaches and practises of financial reporting of not-for-profit (NFP) entities is underexplored (Christensen and Mohr, 2003; Lee, 2004; Gray et al., 2006; Parker, 2007). This paper uses content analysis to examine submissions to the 2008 Australian Senate Economics Standing Committee for its inquiry into the disclosure regimes of charities and NFP organisations, which aimed to explore attitudes about financial reporting in the NFP sector. Financial reporting is viewed as an important part of accountability, but the sector identifies deficiencies in the current regime in terms of consistency, efficiency and transparency. Respondents to this inquiry believed that a sector-specific accounting standard was important. Financial reporting standards, regulations and legal structures should be uniform across the entire sector, but with some variation allowed for smaller NFPs. The cost of complying with standards was a significant issue for smaller NFPs.



No.	Author(s)	Year	Title	Journal	Summary
47	Parsons, L. M.	2003	Is accounting information from nonprofit organizations useful to donors? A review of charitable giving and value-relevance	Journal of Accounting Literature	Not-for-profit organisations in the U.S. received charitable contributions of approximately \$212 billion in 2001. This figure represents over two percent of the U.S. gross domestic product. Charitable giving in the seven years ended December 31, 1999 totalled one trillion dollars. If the federal government expands its dependence on charitable organisations for the delivery of certain assistance services, the relative importance of the third sector to the U.S. economy will likely increase. Despite the enormous size of the so-called third sector and its importance to the U.S. economy, there is limited empirical research examining the impact of accounting data on charitable giving decisions. An important function of accounting and financial reporting is to assist in the analysis and evaluation of organisations. Currently, much is known about how investors and creditors use the financial statements of business entities. However, less is understood about how the financial statements of not-for-profit organisations play a role in charitable giving.
48	Pollanen, R. M.	2005	Performance measurement in municipalities: Empirical evidence in Canadian context	International Journal of Public Sector Management	This paper examines the actual and desired use of performance measures for management and external reporting purposes, as well as perceived impediments to their effective use. Somewhat more efficiency measures than effectiveness measures have been used for various purposes. However, greater use was perceived desirable than actually occurred, particularly for effectiveness measures. A significant increase in the use was expected in the near future especially for effectiveness measures. Internal and external verification of measures was considered important by both internal and external auditors. Although the study also identified impediments to the development and meaningful use of performance measures, performance measurement appears to have been accepted as a useful managerial tool and have significant future potential.



No.	Author(s)	Year	Title	Journal	Summary
49	Ryan, C. and H. Irvine	2012	Accountability beyond the headlines: Why not-for-profit organisations need to communicate their own expenditure stories	Australian Accounting Review	This paper analyses the expenditure patterns of 97 Australian international aid and development organisations and examines the extent to which they disclose information about their expenditure in order to discharge their accountability. Not-for-profit (NFP) expenditure attracts media attention, with perceptions of excessive costs potentially damaging stakeholder trust in NFP organisations. This makes it important for organisations to be proactive in communicating their expenditure stories to stakeholders, rather than being judged on their performance by standardised expenditure metrics. By highlighting what it costs to ensure longer-term operational capability, NFP organisations will contribute to the discharge of their financial accountability and play a part in educating all stakeholders about the dangers of relying on a single metric.
50	Ryan, C., et al.	2002	Accountability disclosures by Queensland local government councils	Financial Accountability & Management	The annual report is promoted and regarded as the primary medium of accountability for government agencies. In Australia, anecdotal evidence suggests the quality of annual reports is variable. However, there is scant empirical evidence on the quality of reports. The aim of this research is to gauge the quality of annual reporting by local governments in Queensland and to investigate the factors that may contribute to that level of quality. The results of the study indicate that although the quality of reporting by local governments has improved over time, councils generally do not report information on aspects of corporate governance, remuneration of executive staff, personnel, occupational health and safety, equal opportunity policies, and performance information. In addition, the results indicate there is a correlation between the size of the local government and the quality of reporting, but the quality of disclosures is not correlated with the timeliness of reports. The study will be of interest to the accounting profession, public sector regulators who are responsible for the integrity of the accountability mechanisms and public sector accounting practitioners. It will form the basis for future longitudinal research, which will map changes in the quality of local government annual reporting.



No.	Author(s)	Year	Title	Journal	Summary
51	Sargeant, A., et al.	2008	Communicating the “realities” of charity costs: An institute of fundraising initiative	Nonprofit and Voluntary Sector Quarterly	This article reports the background to a new initiative by the Institute of Fundraising in the United Kingdom to supply the public with information with respect to charity costs and in particular the costs of fundraising. The initiative is described, and the results of a recent benchmarking survey of the Top 500 Fundraising Charities that will be used to underpin it are reported. The mean cost of raising £1 was found to be £0.21.
52	Saxton, G. D., et al.	2014	Web disclosure and the market for charitable contributions	Journal of Accounting and Public Policy	Non-profit organisations face intense competition in the market for charitable contributions. Increasingly, donation decisions are made online, and organisations have responded by implementing substantive Internet disclosure and reporting regimes. We posit here that the voluntary disclosure of financial and performance information inherent in these regimes provides additional relevant information to a broad array of market participants, and thus has a positive impact on the receipt of charitable contributions. We test our hypotheses on a random sample of 400 US non-profit organisations by building on the well-established economic model of giving (Weisbrod and Dominguez, 1986), in which donations serve as the proxy for demand. Our central research question is thus: Are donors willing to “pay” for Web disclosure? Results indicate a positive relationship between the level of charitable contributions and the amount of disclosure provided by an organisation on its website; however, performance and annual report disclosure are more important than financial disclosure, and performance disclosure has the biggest impact in organisations that are less reliant on donations.



No.	Author(s)	Year	Title	Journal	Summary
53	Stanley, T., et al.	2008	An examination of the content of community financial reports in Queensland local government authorities	Financial Accountability & Management	Annual reports, including general purpose financial statements, have been adopted as a key mechanism by which public sector entities discharge their accountability. However, there is concern about the complexity of public sector general purpose financial statements and consequently their effectiveness as an accountability mechanism. In Australia, the Queensland government has moved to address this issue in local government authorities by introducing a Community Financial Report as a means of simplifying the financial statements. A feature of this initiative was the lack of prescription given to local government authorities in the preparation of this report. This paper examines the form and content included in Community Financial Reports and also uses a disclosure index to determine the level of disclosure in the reports. The results of this research show that the form and content of the Community Financial Reports varied considerably. There was no definitive style, with each report being unique. The disclosure index revealed low levels of disclosure by local government authorities in the first year of the report as well as a lack of analysis of the Statements of Financial Performance, Position and Cash Flows. As well, there was a significant difference in the disclosures made by rural local government authorities compared with urban local government authorities. The results of this research will be of interest to local government authorities and local government regulators as they aim to provide useful, understandable information for stakeholders.
54	Steccolini, I.	2004	Is the annual report an accountability medium? An empirical investigation into Italian local governments	Financial Accountability & Management	What is the actual role of the local government annual report as an accountability medium in the context of Italian public sector reforms? The empirical analysis, conducted on a sample of Italian local governments, shows that annual reports do not seem to play the role of 'general purpose' reports. They are rather prepared to comply with very detailed legal requirements and mainly delivered to internal stakeholders, whereas voluntary disclosure is scant. Moreover, most local governments do not use alternative tools to communicate their results. This raises questions as to if and how Italian local governments give account for their performance to their stakeholders.



No.	Author(s)	Year	Title	Journal	Summary
55	Susan, R. A.	1982	Charitable giving and "excessive" fundraising	The Quarterly Journal of Economics	Recently, some charities have been attacked for spending an "excessive" portion of their resources on fundraising. This paper shows how competition for donations can push fundraising shares to high levels even when donors dislike charities that spend a large portion of receipts on fundraising. It also considers a case in which donors take account of the productivity of fundraising in generating gifts from others. In the light of the models developed in the paper, a variety of regulatory strategies are assessed from the dissemination of information to the establishment of a federated fund drive.
56	Szper, R., et al.	2011	Charity Watchdogs and the Limits of Information-Based Regulation	Voluntas: International Journal of Voluntary and Organizations	Transparency concerns and the concomitant accountability challenges have motivated policy and legal scholars to explore information-based regulatory approaches. This study examines transparency and accountability concerns in the context of the non-profit sector, which the authors argue are showing signs of governance failure. Although non-profits are required by law to disclose information on fund use, non-profit donors face difficulties in accessing and interpreting information about how non-profits are deploying resources. Charity watchdogs make this information available to donors in a convenient format. In theory, this should allow donors to reward non-profits that devote resources to service delivery and to punish those that are less careful about controlling overheads. To test the relationship between charity ratings and donations, the study examines 90 non-profits in the state of Washington for the period 2004–2007. Drawing on ratings data provided by Charity Navigator as well as interviews with 10 charities located in Washington State, the study finds that changes in charity ratings tend not to affect donor support to these non-profits and charities believe that donors tend not to systematically embed ratings in their donation decisions. Instead, they believe that donors assess non-profits' effectiveness and trustworthiness via other means such as familiarity, word-of-mouth, or the visibility of the non-profit in their community. In sum, the policy challenge is to provide information which users desire such as organisational effectiveness as opposed to basic fund allocation in the case of non-profits. What matters for policy efficacy is not how much information is provided but of what type.



No.	Author(s)	Year	Title	Journal	Summary
57	Thompson, G. D.	2001	The impact of New Zealand's Public sector accounting reforms on performance control in museums	Financial Accountability & Management	Accounting by most New Zealand museums was subject to public sector reforms requiring private sector-style financial reporting, and service performance reporting. This study into the impact of the reforms on how museum managements pursue successful performance found museums adopting a more accounting-oriented approach to planning and evaluation. Service performance reporting has facilitated the periodic evaluation of non-financial targets by managements, but as currently constituted the reporting model is flawed, particularly in its implications for essential long-term resource capacity of museums. This threatens its effectiveness for promoting good performance. Non-accounting based professional practices also have a role in museum success.
58	Thomson, D. E.	2010	Exploring the role of funders' performance reporting mandates in nonprofit performance measurement	Nonprofit and Voluntary Sector Quarterly	I examine the extent of outcome measurement in non-profit organisations and the relationship that outcome measurement has to funders' reporting mandates. Conclusions are derived from analysis of FY2002 survey and site visit data for 237 Detroit non-profits and a comparison of FY2002 and FY2007 performance measures for 110 of those non-profits that were subjected to new outcome reporting requirements instituted by the City of Detroit. Resource dependence and institutional theory frameworks are used to interpret the findings. The data support the conclusion that funders' outcome reporting mandates affect the extent of outcome measurement among non-profits, even where resource constraints limited measurement prior to the mandates. Yet the impact is not universal. Further research to better understand the contextual factors that affect responses to measurement mandates is proposed.



No.	Author(s)	Year	Title	Journal	Summary
59	Thornton, J.	2006	Nonprofit fund-raising in competitive donor markets	Nonprofit and Voluntary Sector Quarterly	Fund-raising expenditures represent an important strategic decision for non-profit managers in the face of scarced on or resources. Privately, non-profit managers weigh the trade-off between reaching new donors and increasing the implicit price of output to its constituents. Socially, competition among non-profit firms for donations may produce an excessive level of fund-raising. This article empirically examines non-profit fund-raising decisions, privately and socially, under varying market conditions. Analysis of financial data reveals that as markets become more competitive, non-profits follow their private incentives by reducing their fund-raising expenditures. However, the author finds evidence that, collectively, non-profits may spend an inefficiently high share of their revenues on fund-raising. As such, the author offers alternatives to the common practice of collective fund-raising through institutions such as the United Way. Implications of the study include increasing price transparency to improve market discipline or raising legal and financial barriers to entry.
60	Tooley, S., et al.	2010	Performance reporting by Malaysian local authorities: Identifying stakeholder needs	Financial Accountability & Management	The concept of public accountability promotes the need for a comprehensive set of performance-related information to satisfy the information needs of a diverse stakeholder interest group. However, literature concerned with the scope of information to be disclosed, and in particular within the context of a developing country, is limited. This paper identifies the information set which stakeholders of Malaysian local authorities consider relevant in the monitoring and assessment of local authority performance. Stakeholders indicated strong interest in performance information that is not traditionally disclosed in the financial statements: non-financial information particularly performance measurement of outputs, outcomes, efficiency and effectiveness. Disclosures in the Statement of Revenue and Expenditure and forward-looking information are generally regarded as the most important disclosures. The results of the study also indicate differences amongst stakeholders as to the level of importance that they place on certain items especially items related to internal policies and governance and financial position of the local authorities. The findings will be of significance to policy makers interested in improving the performance reporting of Malaysian public sector entities, particularly local authorities.



No.	Author(s)	Year	Title	Journal	Summary
61	Trussel, J. M. and L. M. Parsons	2007	Financial reporting factors affecting donations to charitable organizations	Advances in Accounting	The purpose of this study is to develop a framework to identify factors in non-profit financial reports that can impact donations. We posit that there are four reporting factors related to donations. The factors are the efficiency of the organisation in allocating resources to its programs, the financial stability of the organisation, the information available to donors, and the reputation of the organisation. We use factor analysis with variables from previous studies and find that the variables align on four components that appear to represent the factors that we conceptualise.
62	Verbeeten, F. H. M.	2008	Performance management practices in public sector organizations: Impact on performance	Accounting, Auditing & Accountability Journal	The aim of this study is to investigate whether performance management practices affect performance in public sector organisations. The research shows that the definition of clear and measurable goals is positively associated with quantity performance as well as quality performance. In addition, the use of incentives is positively associated with quantity performance yet not related to quality performance. Finally, the effects of performance management practices in public sector organisations are affected by institutional factors. The results suggest that the behavioural effects of performance management practices are as important as the economic effects in public sector organisations.
63	Yang, C., et al.	2017	The accountability information needs of key charity funders	Public Money and Management	Government and philanthropic funders are key charity stakeholders, yet we know little about their accountability information needs. This New Zealand study captures these stakeholders' perceptions of the background, financial and non-financial performance information they need from charities. It also reveals how, in addition to imposing reporting requirements, these key funders engage in 'institutional work' to ensure they receive appropriate accountability information.